中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288

Joint Dedication to Build a Beautiful China

2013 Annual Report

Profile

The predecessor of Agricultural Bank of China is Agricultural Cooperative Bank established in 1951. Since the late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. The Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively in July 2010, which marked the completion of our transformation into a public shareholding commercial bank.

Being one of the major integrated financial service providers in China, the Bank is committed to catering to the needs of "Sannong" and capitalizing on the synergy between the Urban Areas and the County Areas. The Bank strives to expand into the international market and provides diversified services so as to become a first-class modern commercial bank. Capitalizing on the comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides range of corporate and retail banking products and services for a broad range of customers and conducts treasury operations for our own accounts or on behalf of customers. Our business scope includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2013, the Bank had total assets of RMB14,562,102 million, deposits of RMB11,811,411 million and loans of RMB7,224,713 million. Our capital adequacy ratio and non-performing loan ratio were 11.86% and 1.22%, respectively. The Bank achieved a net profit of RMB166,211 million in 2013.

The Bank had 23,547 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized business units managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 351 tier-2 branches (including business departments of branches in provinces), 3,506 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), and 19,648 other establishments. Our overseas branch outlets consisted of seven overseas branches and three overseas representative offices. Our major subsidiaries consisted of nine domestic subsidiaries and three overseas subsidiaries.

In 2013, the Bank ranked No. 64 in *Fortune's* Global 500, and ranked No. 10 in *The Banker's* "Top 1000 World Banks" list in terms of tier 1 capital for the year of 2012. In 2013, the Bank's issuer credit ratings were assigned A/A-1 by Standard & Poor's; the bank deposits ratings were assigned A1/P-1 by Moody's Investors Service; and the long-/short-term foreign-currency issuer default ratings were assigned A/F1 by Fitch Ratings. The Bank's outlook ratings assigned by the above credit rating agencies were "stable".

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Definitions

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

1.	ABC/We/Our Bank/the Group/the Bank/Agricultural Bank of China	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 31 December 2012
3.	Basis Point(s)	A unit measure related to the change in an interest rate or exchange rate, which is equal to 0.01%
4.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
5.	CBRC	China Banking Regulatory Commission
6.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in China and the areas, under their administration, including counties and county-level cities
7.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products and services through our branch outlets located in counties and county-level cities in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
8.	County Area Banking Division	An internal division with management mechanism adopted by the Bank for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, focusing on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
9.	CSRC	China Securities Regulatory Commission
10.	Duration	An approach employed to measure the weighted average term of cash flows of debt securities, mainly reflecting the sensitivity of the value of debt securities to interest rate movements

11.	Economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
12.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
13.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
14.	Huijin	Central Huijin Investment Ltd.
15.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
16.	MOF	Ministry of Finance of the People's Republic of China
17.	PBOC	The People's Bank of China
18.	Sannong	Agriculture, rural areas and farmers
19.	SSF	National Council for Social Security Fund of the PRC
20.	Subordinated Bonds	Bonds issued by a commercial bank, the claim of which ranks prior to its equity capital and after other debts in respect of repayment of principal and interests in the process of liquidation. Subordinated Bonds fulfilling the conditions can be classified into Tier 2 capital (or supplementary capital)

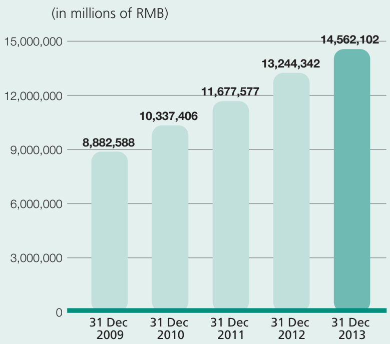
Basic Corporate Information

Legal name in Chinese and abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English and abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	JIANG Chaoliang
Authorized representative	ZHANG Yun Li Zhenjiang
Board Secretary and Company Secretary	Li Zhenjiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85108557 E-mail: ir@abchina.com
Registered office address and postal code	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, 100005, PRC
Hotline for customer service and compliant	86-10-95599
Internet website	www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
Selected newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of Shanghai Stock Exchange publishing the annual report (A share)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H share)	www.hkexnews.hk
Location where copies of this annual report are kept	Office of the Board of Directors of the Bank
Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)

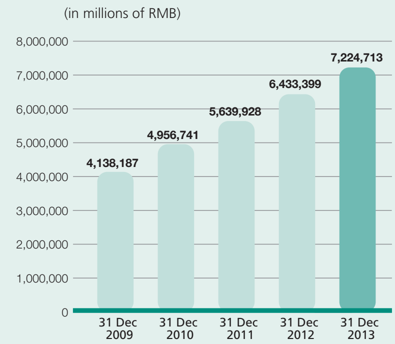
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration modification and registration authority	3 May 2012 State Administration for Industry and Commerce, PRC
Initial Registration	Please refer to the section headed "Basic Information of the Issuer" in the prospectus of the Bank for the initial public offering for details
Corporate business license registration No.	100000000005472
Organizational code	10000547-4
Financial license registration No.	B0002H111000001
Tax registration certificate No.	Jing Shui Zheng Zi 110108100005474
Name and address of domestic legal advisor	King & Wood Mallesons Lawyers 40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
Name and address of Hong Kong legal advisor	Freshfields Bruckhaus Deringer 11/F, Two Exchange Square, Central, Hong Kong
Name and address of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Name of the undersigned Accountant	WU Weijun, JIANG Kun
Name and address of international auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong

Financial Highlights

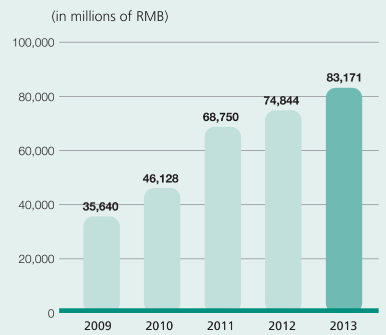
Total assets



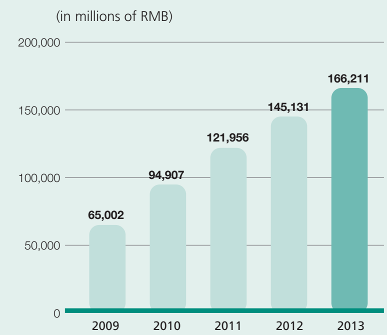
Total loans and advances to customers



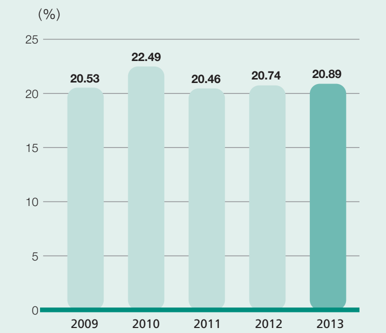
Net fee and commission income



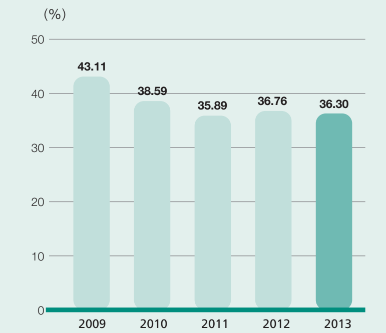
Net profit



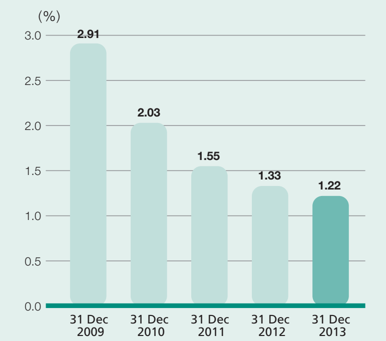
Return on weighted average net assets



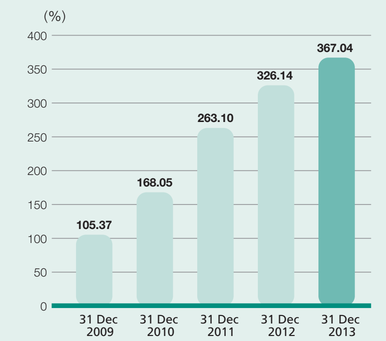
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



(Financial data and indicators recorded in this annual report are prepared in accordance with International Financial Reporting Standards ("IFRSs") and denominated in RMB)

Financial Data

	2013	2012	2011	2010	2009
At the end of the reporting period (in millions of RMB)					
Total assets	14,562,102	13,244,342	11,677,577	10,337,406	8,882,588
Total loans and advances to customers	7,224,713	6,433,399	5,639,928	4,956,741	4,138,187
Allowance for impairment losses on loans	322,191	279,988	229,842	168,733	126,692
Investment in securities and other financial assets, net	3,220,098	2,856,148	2,628,052	2,527,431	2,616,672
Total liabilities	13,717,565	12,492,988	11,027,789	9,795,170	8,539,663
Deposits from customers	11,811,411	10,862,935	9,622,026	8,887,905	7,497,618
Equity attributable to equity holders of the Bank	843,108	749,815	649,601	542,071	342,819
Total Capital[1]	1,074,967	910,048	763,010	624,124	440,349
Common Equity Tier 1 (CET1) capital[1]	838,473	N/A	N/A	N/A	N/A
Additional tier 1 capital[1]	1	N/A	N/A	N/A	N/A
Tier 2 capital[1]	236,493	N/A	N/A	N/A	N/A
Risk-weighted assets[1]	9,065,631	7,216,178	6,388,375	5,383,694	4,373,006
Operating results for the year (in millions of RMB)					
Operating income	465,771	424,964	379,756	292,253	223,637
Net interest income	376,202	341,879	307,199	242,152	181,639
Net fee and commission income	83,171	74,844	68,750	46,128	35,640
Operating expenses	198,607	182,802	157,330	128,107	109,567
Impairment losses on assets	52,990	54,235	64,225	43,412	40,142
Total profit	214,174	187,927	158,201	120,734	73,928
Net profit	166,211	145,131	121,956	94,907	65,002
Net profit attributable to equity holders of the Bank	166,315	145,094	121,927	94,873	64,992
Net cash generated from/(used in) operating activities	32,879	319,058	223,004	(89,878)	(21,025)

Financial Indicators

	2013	2012	2011	2010	2009
PROFITABILITY (%)					
Return on average total assets[2]	1.20	1.16	1.11	0.99	0.82
Return on weighted average net assets[3]	20.89	20.74	20.46	22.49	20.53
Net interest margin[4]	2.79	2.81	2.85	2.57	2.28
Net interest spread[5]	2.65	2.67	2.73	2.50	2.20
Return on risk-weighted assets[6]	1.83	2.01	1.91	1.76	1.49
Net fee and commission income to operating income	17.86	17.61	18.10	15.78	15.94
Cost-to-income ratio[7]	36.30	36.76	35.89	38.59	43.11
DATA PER SHARE (RMB Yuan)					
Basic earnings per share[3]	0.51	0.45	0.38	0.33	0.25
Net cash per share generated from/(used in) operating activities	0.10	0.98	0.69	(0.28)	(0.08)

	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
ASSET QUALITY (%)					
Non-performing loan ratio[8]	1.22	1.33	1.55	2.03	2.91
Allowance to non-performing loans[9]	367.04	326.14	263.10	168.05	105.37
Allowance to total loans[10]	4.46	4.35	4.08	3.40	3.06
CAPITAL ADEQUACY (%)					
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	9.25	N/A	N/A	N/A	N/A
Tier 1 capital adequacy ratio[1]	9.25	N/A	N/A	N/A	N/A
Capital adequacy ratio[1]	11.86	12.61	11.94	11.59	10.07
Total equity to total assets ratio	5.80	5.67	5.56	5.25	3.86
Risk-weighted assets to total assets ratio	62.25	54.48	54.71	52.08	49.23
DATA PER SHARE (RMB Yuan)					
Net assets per share attributable to equity holders of the Bank	2.60	2.31	2.00	1.67	1.32

Notes:
1. *Figures of 31 December 2013 were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. Figures of 31 December 2012, 2011, 2010 and 2009 were calculated in accordance with the Rules for the Management of Capital Adequacy Ratio of Commercial Banks and other relevant regulations.*
2. *Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the year.*
3. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision in 2010) issued by the CSRC. The Bank has no potential diluted ordinary shares.*
4. *Calculated by dividing net interest income by the average balances of interest-earning assets.*
5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
7. *Calculated by dividing operating and administrative expenses by operating income under CASs, which is consistent with the figures as stated in the financial report of the Bank prepared in accordance with CASs.*
8. *Calculated by dividing the balance of non-performing loans by total amount of loans and advances to customers.*
9. *Calculated by dividing allowance for impairment losses on loans by balance of non-performing loans.*
10. *Calculated by dividing allowance for impairment losses on loans by total amount of loans and advances to customers.*

Other Financial Indicators

		Regulatory Standard	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Liquidity ratio (%)[1]	RMB	≥25	43.57	44.75	40.18	38.36	40.99
	Foreign Currency	≥25	114.95	161.78	154.66	127.03	122.54
Loan-to-deposit ratio (%)[2]	RMB and Foreign Currency	≤75	61.17	59.22	58.61	55.77	55.19
Percentage of loans to the largest single customer (%)[3]		≤10	3.33	3.59	2.80	3.18	4.41
Percentage of loans to top ten customers (%)[4]			13.22	15.76	16.31	18.45	22.47
Loan migration ratio (%)[5]	Normal		2.53	2.49	2.26	3.10	5.00
	Special mention		4.36	4.65	2.61	4.15	6.51
	Substandard		37.24	21.79	14.82	24.34	39.33
	Doubtful		8.62	4.96	5.41	5.26	5.83

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.*
2. *Calculated by dividing total amount of loans and advances to customers by deposits from customers. The average daily loan-to-deposit ratio of the Bank in 2013 was 61.86%.*
3. *Calculated by dividing loans to the largest single customer by net capital base.*
4. *Calculated by dividing loans to top ten customers by net capital base.*
5. *Calculated in accordance with the relevant regulations of the CBRC by using domestic data.*

Honours and Awards

BRAND·FINANCE®	Top 3 Most Valuable Global Banking Brand Asia
EUROMONEY ASIA BEST MANAGED COMPANIES 2014	Best Managed Banking and Finance Institution in Asia The Best Private Bank in China — Commodity Investment
Global Finance	Best Bond Underwriting Bank
THE Asset 財資	2013 Financial Platinum Corporate Award
LACP	Gold Vision Award for 2012 Annual Report
证券时报	Best Investment Bank Best Bank of Syndicated Financing Best Bond Underwriting Bank Best Bank of Private Debt Best Debt Financing Project
Chinese Academy of Social Sciences	2013 Leading Small Enterprise Financial Bank
Chinese Business Journal	Retail Loans Provider with Outstanding Competitiveness in 2013
银行家 The Chinese Banker	Top 10 Financial Products Innovation Award (Kins QQ Joint IC Credit Card)
首席财务官 CFO WORLD	Best Cash Management Brand Best Investment Banking Business
中国银行业协会 CHINA BANKING ASSOCIATION	Best Financial Institution in Social Responsibility of the Year Best Green Finance Best Practical Case of Social Responsibility Excellent Charity Project

Best Inclusion Financial Institution of the Year
Best Wealth Management Brand of the Year
Best Innovative Bank of Retail Loan
Best Internet Financial Innovative Marketing Award
China Corporate Social Responsibility Ranking — Outstanding Enterprise Award

2013 The Best Inclusion Financial Services Bank in Asia
2013 Chinese Best Corporate Citizen Award — The Best Corporate Culture Award

Outstanding Integrated Services Bank

The Most Respected Bank of 2013
The Best Retail Bank in China of 2013
The Best Electronic Bank of 2013
The Best Bank Wealth Management Product of 2013 (Ru Yi structured products)

Top Ten Bank in 2013
The Best Correspondent Bank

Private Corporate Social Responsibility Award (The 8th year) — Best Corporate of the Year

Top Ten Competitive Corporate Culture after 35 Years of Reform and Opening-up Policy

Jiang Chaoliang
Chairman

In 2013, despite the complex internal and external environments, we persisted with our development strategy with the aim of further developing the Bank into a first-class modern commercial bank. We seized the fundamentals of making progress through steady development to further enhance our capabilities in serving for "Sannong" and the real economy and made progress in reformation and management of key areas. The Bank has enhanced its development capability and quality as well as further increased the vitality of its business. We recorded a net profit of RMB166,211 million for 2013, representing an increase of 14.5% compared to the previous year. Our return on average total assets and return on weighted average net assets were 1.20% and 20.89%, respectively. Our cost-to-income ratio was 36.30%, representing a decrease of 0.46 percentage point compared to the previous year. The non-performing loan ratio decreased to 1.22%. The allowance to non-performing loans and the allowance to total loans ratio were 367.04% and 4.46%, respectively. The Bank stood the test of significant fluctuations in market liquidity. I hereby express my heartfelt gratitude for the support of our shareholders, customers and communities, and the dedication and contribution of our employees, to the achievement of these results in such a complex and challenging environment.

The operation and management of the banking industry in China is facing a new trend: the growth of economic development in China commencing at a moderate to high speed challenging the banks on modifying their operating model, profit model and risk management; the changes in economic development mode and economic restructuring initiated by the government challenging business expansion and risk control in the banking industry; the tight monetary policy and market liquidity conditions challenging the effective sources of funds and the reasonable match between maturities of assets and liabilities; and the more rapid pace of financial marketization reform and increasingly intense market competition challenging the banks' management reformations and business innovations.

Although changes have brought challenges, they also lead to more development opportunities. The Third Plenum of the 18th CPC Central Committee adopted new concepts, conclusions and measures for comprehensively deepening reform and laid out a grand blueprint for the future development of China in the new era. In line with the government strategies of deepening reform and opening up, and implementing innovation-driven development, the Bank will make progress and enhance performance through steady development, maintain stability and continuity of policy, and focus on reformation and innovation, so as to further enhance the capabilities in serving for "Sannong" and the real economy, continuously increase the return of shareholders, and strive for the success of developing the Bank into a first-class modern commercial bank, making a greater contribution to the economic development of society.

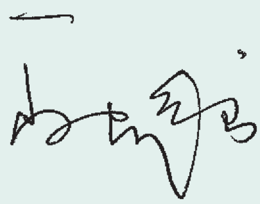
Make progress and enhance performance through steady development. The Bank's strategic positioning in respect of "catering to the needs of "Sannong", capitalizing on the synergy between the Urban Areas and the County Areas, expanding our business into international markets and providing diversified services" is in line with the historic development and current situation of the Bank as well as trends in economic and financial development. We will persevere in implementing this blueprint over the long term, maintain stability and continuity of policy to achieve sustainable growth and further develop our century-old brand through prudent operation. In addition, we will capture opportunities from market changes and proactively develop through innovation. We will aim to achieve new progress in the following aspects: firstly, enhancing our services for the County Areas and further solidifing our differentiated competitive advantage; secondly, cultivating operation ideologies for modern commercial bank; and thirdly, lowering capital consumption and enhancing ability for value creation.

Cling to deepening reformation for higher operation vitality. We will continuously deepen our reformation through problem solving, starting with streamlining our business structure, optimizing operational procedures, refining our authorization system as well as improving our assessment and incentive system. We will continuously deepen our reformation and remove the obstacles to development with our reformation spirit, mentality and solutions, and promote the sustainable release of dividends from reformation. Firstly, we will stick to the market-oriented approach to human resources reformation to facilitate the transformation of business mechanism. Secondly, we will continue with centralized operation management and accelerate the establishment of a "Centralized Operation and Back Office" system. Thirdly, we will intensify the efficiency of our system in respect of research and development to promptly respond to market changes. Fourthly, we will strengthen the ideology of comprehensive risk management starting with culture, structure and tools, to persistently enhance the development of our risk management system. Fifthly, we will further enhance the efficiency of credit management to enhance our capability to meet market demand. Sixthly, we will strengthen the convergence of business and technology to provide better technological services.

Insist on innovation-driven approach to enhance development quality. In response to the intensifying environment of horizontal competition, while we develop and cultivate our differentiated competitive advantages through innovation, we will have to implant innovation elements to develop our innovation culture and accelerate the promotion of innovation in three aspects, which are operation ideologies, business operation mode and concrete products and services. We will also strengthen our capability in initial innovation, integrated innovation and re-innovation to continuously enhance our development quality and competitiveness. Firstly, we will accelerate the application of Internet-based innovation in response to the significant changes in our business model. Secondly, we will enhance the innovation in our service model and improve our financing consultancy services and asset management services, so as to enhance our ability for value creation. Thirdly, we will enhance our international financing services and introduce our products and services to overseas markets by supporting internationalization of corporates.

Adhere to a strict approach to risk limitation to ensure operation stability. Currently, the risk in the banking industry is increasingly high as the macro-economy is in a down cycle and is in a restructuring process. We will further enhance our management to ensure our operation stability. Firstly, we will improve our risk prevention through the study of government policies, risk monitoring and alerts as well as avoidance of high risk customers. Secondly, we will improve the control of major risks, including credit risk, market risk and liquidity risk. Thirdly, we will strengthen our capability in asset disposal and collection. Fourthly, we will strengthen the management of our key operation processes and sections, as well as the mechanism for identifying risks possibly leading to cases, so as to ensure our operational safety.

2014 is a year commencing our comprehensively deepening reformation and is a very important year for our operation transformation. It is also a critical year in the middle of our Three-year Plan. We will stick to our ideologies on prudent operation, and strive for and focus our efforts on overcoming the challenges brought by the changes in internal and external environment, so as to reach new achievements in respect of further developing the Bank into a first-class modern commercial bank. Looking forward, we truly hope to share the fruitful results with all our shareholders, customers, employees and the whole society.



Chairman: JIANG Chaoliang
25 March 2014

Zhang Yun
President

In 2013, facing a complicated economic and financial environment, we adhered to serving for "Sannong" and the real economy, persisted in making progress through steady development, strictly implemented our strategies and efficiently promoted business transformation, and strengthened our risk management and cost control. As such, our business operation achieved a healthy development and stable growth.

Steady growth in operation performance. In response to the deep impacts of the slowdown in economic growth, the acceleration of financial disintermediation and the liberalization of interest rates on our business operation, we further optimized our asset and liability structure, strengthened our net interest margin management and diversified our income sources to maintain a stable growth of profit. We recorded a net profit of RMB166,211 million, representing an increase of 14.5% compared to the previous year. The net fee and commission income increased by 11.1% and its proportion to our operating income increased by 0.25 percentage point. Our net interest margin ("NIM") was 2.79%, which maintained our leading position in the domestic banking industry. With effective control, the cost-to-income ratio and credit cost ratio decreased by 0.46 and 0.14 percentage point, respectively, compared to the previous year.

Reinforcement of financial service capabilities. We optimized our allocation of credit resources in line with economic restructuring and industrial transformation and upgrades. New loans were utilized effectively and stock loans were reallocated to improve effectiveness of our credit service. New loans for the year amounted to RMB791,314 million, representing an increase of 12.3%. Loans to strategically emerging industries increased by RMB123,690 million, accounting for 41.1% of our new corporate loans. Loans to small and micro enterprises increased by RMB157,116 million, whose growth rate was 11.6 percentage points higher than that of the Bank-wide. New retail loans increased by RMB385,982 million during the year, accounting for 48.8% of our new loans. We strictly controlled loans to Industries with high energy consumption, high pollution or overcapacity and withdraw such loans in the amount of RMB19,385 million. Moreover, we developed cross-market, securitized and structured financing products to meet diversified financing needs in the real economy. In regard to the internationalization of corporates and Renminbi, we strengthened our efforts in cross-border financial services. We established 10 overseas institutions, whose assets amounted to USD58,093 million and cross-border RMB-denominated settlements totalled RMB641,004 million. We provided integrated services to our customers through subsidiaries specializing in funds, leasing, insurance and investment banking, and continued to benefit from synergistic effects between the Bank and its subsidiaries. Innovations in sales channels, products and services were implemented to further improve customer experience, service quality and efficiency.

Continuous enhancement of County Area Banking Business. We focused on the key areas of our County Area Banking Business. Our County Area Banking Business maintained stable growth as a result of adopting innovative service models and ensured sufficient resources. Deposits and loans for County Areas increased by RMB402,121 million and RMB298,817 million, respectively, compared to the end of the previous year, whose growth rates were 0.1 percentage point and 2.3 percentage points higher than that of the Bank-wide, respectively. Asset quality of the County Areas remained stable with non-performing loan ratio amounting to 1.54%, representing a decrease of 0.12 percentage point compared to the end of the previous year. Furthermore, we prioritized the provision of services to industry leading enterprises, large rural households, family farms and agricultural cooperatives. Our service coverage of the leading agricultural enterprises at state and provincial level was 81.4% and 57.6%, respectively, and we supported over 87,000 family farms. Basic financial services in County Areas were carried out with a focus on service quality improvement of "Kins Huinongtong Project". An additional 7.17 million Huinong cards were issued and 3,000 "Huinongtong" service outlets were established with village coverage of electronic machines reaching 68.3%. We secured additional 1,987 agriculture-related financial subsidies and public utility projects with more comprehensive services provided. "Huinongtong" has become a distinctive and influential brand of our County Area financial services.

Strong and effective risk management and management foundation. In response to the increasingly being exposed and spreading risks, we maintained a prudent and innovative risk appetite. Focusing on establishing our comprehensive risk management system, we refined our risk management structure and tools so as to constantly improve the effectiveness of our risk management. Credit risk inspection was carried out in key areas through specialized management of guarantee rings and guarantee chains. We also enhanced our monitoring and management on overdue loans and special mention loans. Greater efforts were made for the disposal of non-performing assets and write-off of bad debts to maintain the stability of our asset quality. As a result, non-performing loan ratio decreased by 0.11 percentage point and the allowance to non-performing loans ratio increased by 40.9 percentage points, compared to the end of the previous year, representing an enhancement of risk resistance. In addition to our business growth, we also enhanced our basics of management to get benefit from higher management efficiency. We launched the Product Lifecycle Management which significantly expedited the response of our product research and development to market changes. Furthermore, we accelerated the establishment of back office operation centre and realized the centralized operation of tier-1 branches at provincial level and the centralized authorization in 19 provincial branches. We further optimized our credit policies and procedures to improve the efficiency of our credit management. New progress of IT establishment was made as the third phase of new generation of core banking system (BoEing) commenced operation.

Currently, as the economy of China is undergoing a crucial period of slowdown, transformation and upgrade, the financial industry is also experiencing a new phase of in-depth reform and accelerated innovation, which will result in a more complicated and challenging operating environment for the banking industry. Looking forward to 2014, we will endeavour to grasp favourable opportunities and overcome obstacles by leveraging the economic and financial trends and focusing on better quality, efficiency, innovation and risk control. We will make efforts to enhance the reformation of management systems for product research and development, business operation and human resources, in order to further stimulate our management efficiency and business vitality. Furthermore, we will accelerate the restructuring and business transformation, and emphasize innovation for new businesses development, such as Internet finance, asset management and cross-border Renminbi services aiming to improve our capabilities for integrated financial services and value creation.

President: ZHANG Yun
25 March 2014

Che Yingxin
Chairman of the Board of Supervisors

Environment and Prospects

In 2013, while global economic growth continued to improve, the economic growth pattern of developed economies reversed and the unbalanced recovery of global economy further aggravated the distinction among the global economies. The recovery of developed economies picked up gradually. Production level in the United States returned to those before the financial crisis, while the Eurozone economy showed a sign of slow recovery as a result of the ease of European debt crisis. On the other hand, the emerging markets, in particular, the "Fragile Five", were significantly affected, facing increasing pressure towards economic downturn, capital outflow and currency depreciation.

In 2013, global financial markets were highly volatile effected by the anticipation of the phasing out of the quantitative easing policy of the U.S. Federal Reverse and the downsizing of debt purchases since December 2013. The performance of financial markets in developed economies and emerging economies varied. The financial markets in major developed economies recovered, while certain emerging economies saw drops in stocks, currencies and bonds. Stock markets in major developed economies continued to rise sharply. Over the year, the Dow Jones Industrial Average Index, EURO STOXX50 Index and Nikkei 225 index increased by 26.5%, 13.3% and 56.7%, respectively. The USD Index rose at the beginning of the year and turned around subsequently and recorded a slight decrease of 0.6% over the end of previous year. Commodities were on a downward trend with fluctuation. The CRB Spot Market Price Index decreased by 5.7% in the year.

In 2013, the Chinese economy remained stable in general. The GDP of China for the year increased by 7.7% over the previous year, to RMB56,880 billion. Growth of investment and consumption continued to slow down. Total investment in fixed assets and total sales of consumer goods recorded increases of 19.6% and 13.1%, respectively, representing a decrease of 1.0 and 1.2 percentage points, respectively, as compared to the previous year. Foreign trade grew at the same pace of last year and exports increased by 7.9% over the previous year. The price of consumables remained stable as the Consumer Price Index increased by 2.6% over the previous year.

To cope with the challenging and complicated domestic and international market conditions, the PRC government persevered with a prudent approach of steady development and continued to implement its aggressive fiscal policies and prudent monetary policies. While maintaining the economic growth above the threshold, the government steadily pushed forward restructuring and reform and put more efforts to eliminate excessive production capacity and to deleverage. Significant progress was made in the liberalization of financial markets. Interest rates of financial institutions on loans were fully liberalized and inter-bank certificates of deposit was implemented. As supporting measures, the government pushed forward the establishment of self-discipline mechanism for interest rate pricing of financial institutions and the base interest rates quotation and release system. Inter-bank rates were generally in an upward trend. Liquidity was temporarily tight at the end of each quarter, resulting in surge of interest rates. The Renminbi continued to appreciate. At the end of 2013, the median price of USD against RMB was at 6.0969, up by 3.1% over the end of the previous year.

Looking forward, it is expected that the global economic recovery will further strengthen in 2014 and it might be the first time of broad global recovery since the financial crisis. The International Monetary Fund had adjusted its global growth forecast for 2014 from 3.6% in October 2013 to 3.7%. In 2014, it is expected China will maintain its aggressive fiscal policies and prudent monetary policies, and put more effort into economic restructuring and the transformation of development mode. Driven by the economic restructuring and reform as well as global economic recovery, the Chinese economy will continue to maintain steady and rapid growth. 2014 is the first year of deepening reforms, it is expected that various reform measures and rules will be introduced, such as urbanization and "Sannong" policies. The simultaneous development of urban and rural areas will accelerate, which will bring new development opportunities for the banking industry. On the other hand, the banking industry will confront more pressure for transformation and competition as a result of more rapid progress in marketization of financial markets and market opening up to domestic and overseas investors, more efforts in deleveraging, eliminating excessive production capacity and cooling the over-heated economy, and tightening the control of shadow banking and the inter-bank market business.

In 2014, under the "Three-year Plan", the Bank will continue to strengthen its financial services for "Sannong" and the real economy, deepen reformations, highlight innovation-driven development, adhere to a strict approach of risk limitation, and further enhance our core competitiveness and sustainable development.

Firstly, we will support the development of the real economy. In line with government policies on industrial restructuring, we will improve our financial services for emerging industries such as energy-saving and environmental protection, information consumption, elder-care industry and high-end equipment manufacturing. We will also adopt green credit policies to restrict the provision of loans to Industries with high energy consumption, high pollution or overcapacity. We will provide more loans to support the development of free trade zones and special economic areas along border which are selected by government as major development areas. We will consolidate our competitive advantages in retail banking by meeting the increasing demand for investment and wealth management, consumption loans and online banking. We will improve the credit policies, systems and processes for small and micro enterprises. Focused on our value customer base, trading industry, manufacturing, professional services, industrial parks and business associations, we will serve small and micro enterprises through mass marketing. We will explore opportunities related to public-private cooperation and support internationalization of corporates.

Secondly, we will further improve our financial services for "Sannong" and in County Areas. We will focus special attention on the financial needs arising from rural reform and new urbanization and enhance integrated services for Urban and County Areas. We will support modern agriculture by improving our financial services to new rural business entities such as professional large farmer households, family farms, rural cooperatives and agricultural enterprises. With the focus on the reform of rural property right, such as land contract management rights, rural collective construction land use rights and rural housing property rights, we will enhance our financing innovation for agriculture-related customers. We will continue to deepen the reformation of the County Area Banking Division, establish systems and mechanisms for enhancing our competitiveness in County Areas, and stimulate the volatility of sub-branches in County Areas. We will innovate the financial service model for new urbanization and launch a featured "product collection" for establishments of new urbanization.

Thirdly, we will strengthen our innovation-driven development. We will refine our research and development, and improve our independent innovation and collaborative innovation ability to develop a number of market-leading products. We will accelerate the application of Internet technology, and modify our operating management model based on Internet thinking mode to achieve the integrated development between traditional businesses and new businesses. We will strengthen the innovation of service models and enhance our service abilities of financial consultation and asset management while consolidate the traditional credit intermediary services.

Fourthly, we will strictly adhere to risk limitation. In respect of our culture, framework, policies and tools, we will continue to strengthen the development of our modern risk management system. We will accelerate the application of our advanced capital management methodology and promote the application of rating results into the granting and use of credits, risk mitigation, risk pricing and capital measurement. We will pay close attention to the impact of policy adjustments on relevant industries, professions, areas and customers. We will also improve the monitoring and warning systems and terminate the granting of loans to customers with potential risks proactively. We will strengthen the risk management of key areas such as local government financing vehicles, real estate, industries with overcapacity and guarantee rings. We will enhance our market risk and liquidity risk management in response to the liberalization of interest rates and tight monetary policy.

Fifthly, we will strengthen reformation and management. We will continue to refine our corporate governance system, improve the operating mechanisms of our Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management to enhance our ability of decision making, implementation and supervision. We will deepen the "three major reforms" of product research and development, operational management and human resources as well as the "three management projects" of risk management, credit management and IT management. We will refine our performance evaluation policies in order to better reflect the requirements of our strategies, maximizing the value of shareholders and sustainable development.

Implementation of the Three-year Plan

In 2013, in accordance with our reformation and development plan for 2013–2015 and in response to complicated changes in internal and external environments, the Bank continued to strive to become a first-class modern commercial bank by adhering to its general strategies of making progress while maintaining stability, developing and enhancing our differentiated competitive advantages, and strengthening our reformation and management of key areas. As a result, positive progress was made in the implementation of our plans.

Firstly, we facilitated the optimization and allocation of operating resources and the coordinated development of Urban Areas and County Areas. We continued to implement our strategy of prioritizing the development of major city branches and the "121 Project" in sub-branches of County Areas, and strengthened resource allocation to County Area Banking Business and central and western China. We further deepened our reformation of the County Area Banking Division and emphasized the establishment of an effective mode of serving for "Sannong" as a whole, promoting the "Huinongtong" project and improving our financial services to new rural business entities and new urbanization. We continued to promote the establishment of three-level core customer list, improved the layered service system of retail customers and achieved steady development of urban business. We strengthened the appraisal of net interest margin and return on capital by which to improved our capability for value creation.

Secondly, we continued to promote the transformation of our business and operations. We implemented a development strategy for investment banking, with the transformation of our corporate banking from "credit intermediation" to "integrated financial service provider". We have persisted in our fundamental strategy of developing retail banking business and deepening its transformation focused on improving the overall service quality of our branch outlets. We implemented the strategy of expanding our customer coverage to small and micro customers. As such, we developed featured products, established specialized units to provide financial services and explored retail operation model for small and micro financial business. In response to the new business emerging in the financial industry, we proactively promoted the innovation of Internet finance.

Thirdly, we strived to enhance the international services and the diversified services. Through establishing our network overseas, we strengthened the coordination between domestic and overseas branches so as to accelerate the development of trade financing and cross-border Renminbi business. With the establishment of our integrated operating platform including ABC International, ABC Leasing, ABC-CA and ABC Life, we enhanced our capability of offering cross-market services to our customers.

Fourthly, we promoted reformation and management in key fields. Focusing on the projects of "three major reforms" and "three major management", we implemented Product Lifecycle Management and extended the reformation of "centralized back office operation, centralized authorization and centralized monitoring systems", and reform our human resources and organizational structure. We accelerated the establishment of the comprehensive risk management system, optimized the credit policies and procedures, and implemented the BoEing system. As a result, our operation mechanism was optimized and our management foundation was further consolidated.

In the next two years, the Bank will continue to strengthen the implementation and assessment of our strategies to ensure the accomplishment of all the goals of the Three-year Plan so as to comprehensively enhance our integrated competitiveness, risk control effectiveness and the sustainable development capability.

Financial Statement Analysis

Income Statement Analysis

In 2013, we achieved a net profit of RMB166,211 million, representing an increase of RMB21,080 million or 14.5% over the previous year. This was primarily due to the increase in net interest income and net fee and commission income.

Changes of Key Income Statement Items

In millions of RMB, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Net interest income	376,202	341,879	34,323	10.0
Net fee and commission income	83,171	74,844	8,327	11.1
Other non-interest income	6,398	8,241	(1,843)	(22.4)
Operating income	**465,771**	**424,964**	**40,807**	**9.6**
Less: Operating expenses	198,607	182,802	15,805	8.6
Impairment losses on assets	52,990	54,235	(1,245)	(2.3)
Profit before tax	214,174	187,927	26,247	14.0
Less: Income tax expense	47,963	42,796	5,167	12.1
Net Profit	**166,211**	**145,131**	**21,080**	**14.5**
Attributable to:				
Equity holders of the Bank	166,315	145,094	21,221	14.6
Non-controlling interests	(104)	37	(141)	(381.1)

Net Interest Income

Net interest income is the major component of our operating income. In 2013, net interest income was RMB376,202 million, representing an increase of RMB34,323 million compared to the previous year, and accounted for 80.8% of our total operating income.

The table below sets out the average balance, interest income/expense and percentage of average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2013			2012		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	6,910,717	414,270	5.99	6,065,274	388,863	6.41
Debt securities investments[1]	2,907,104	108,609	3.74	2,669,422	97,978	3.67
Non-restructuring-related debt securities	2,421,297	93,377	3.86	2,132,689	81,002	3.80
Restructuring-related debt securities[2]	485,807	15,232	3.14	536,733	16,976	3.16
Balances with central banks	2,362,857	37,517	1.59	2,376,422	43,123	1.81
Amounts due from banks and other financial institutions[3]	1,283,012	52,988	4.13	1,036,517	36,099	3.48
Total interest-earning assets	**13,463,690**	**613,384**	**4.56**	**12,147,635**	**566,063**	**4.66**
Allowance for impairment losses[4]	(302,266)			(256,022)		
Non-interest-earning assets[4]	686,625			566,362		
Total assets	13,848,049			12,457,975		
Liabilities						
Deposits from customers	11,170,828	194,903	1.74	10,162,433	186,717	1.84
Amounts due to banks and other financial institutions[5]	997,433	33,784	3.39	961,056	32,264	3.36
Other interest-bearing liabilities[6]	221,108	8,495	3.84	135,714	5,203	3.83
Total interest-bearing liabilities	**12,389,369**	**237,182**	**1.91**	**11,259,203**	**224,184**	**1.99**
Non-interest-bearing liabilities[4]	727,613			536,342		
Total liabilities	13,116,982			11,795,545		
Net interest income		376,202			341,879	
Net interest spread			**2.65**			**2.67**
Net interest margin			**2.79**			**2.81**

Notes:
1. *Debt securities investments include debt securities investments at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity investments and debt securities classified as receivables.*
2. *Restructuring-related debt securities include receivable from the MOF and special PRC government bonds.*
3. *Amounts due from banks and other financial institutions primarily include the deposits and placements with banks and other financial institutions, and the financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include the deposits and placements from banks and other financial institutions, as well as the financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include the certificates of deposit issued and bonds issued.*

The table below sets out the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	**Interest Rate**	**(decrease)**
Assets			
Loans and advances to customers	50,681	(25,274)	25,407
Debt securities investments	8,880	1,751	10,631
Balances with central banks	(215)	(5,391)	(5,606)
Amounts due from banks and other financial institutions	10,180	6,709	16,889
Changes in interest income	69,526	(22,205)	47,321
Liabilities			
Deposits from customers	17,594	(9,408)	8,186
Amounts due to banks and other financial institutions	1,232	288	1,520
Other interest-bearing liabilities	3,281	11	3,292
Changes in interest expense	22,107	(9,109)	12,998
Changes in net interest income	**47,419**	**(13,096)**	**34,323**

Note: Changes caused by the combination of volume and interest rate have been allocated to the changes in volume.

Net Interest Margin and Net Interest Spread

In 2013, the net interest margin was 2.79% and the net interest spread was 2.65%, both decreased by 2 basis points compared to the previous year. The decrease in net interest margin and net interest spread were mainly because: (1) the PBOC decreased the benchmark interest rates twice in 2012, and therefore all re-priced loans and new loans adopted lower interest rates in 2013, resulting in a decrease of average yield of loans by 42 basis points over the previous year; and (2) we increased the interest rates of certain time deposits moderately, which partially offset the impact of interest rate cut on average cost of deposits.

We optimized our asset and liability structure, enhanced efficiency on capital and fund utilization and adjusted performance appraisal to further improve and strengthen interest margin management. Net interest margin has rebounded since the second quarter of 2013, which increased by 5 basis points to 2.79% for the year of 2013 from 2.74% for the first half of 2013.

Interest Income

We recorded interest income of RMB613,384 million in 2013, representing an increase of RMB47,321 million over the previous year. The increase in interest income was primarily due to the increase in the average balances of interest-earning assets by RMB1,316,055 million, partially offset by the decrease of 10 basis points in the average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB25,407 million or 6.5% over the previous year to RMB414,270 million. The increase in interest income was primarily due to the increase of RMB845,443 million in the average balances, partially offset by the decrease of 42 basis points in the average yield.

The table below sets out the average balances, interest income and average yield of loans and advances to customers by product type.

In millions of RMB, except for percentages

	2013			2012		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	4,604,132	286,472	6.22	4,222,511	276,938	6.56
Short-term corporate loans	2,112,307	127,588	6.04	1,884,640	123,246	6.54
Medium- and long-term corporate loans	2,491,825	158,884	6.38	2,337,871	153,692	6.57
Discounted bills	128,605	7,077	5.50	124,193	8,264	6.65
Retail loans	1,920,670	114,210	5.95	1,554,262	98,603	6.34
Overseas and others	257,310	6,511	2.53	164,308	5,058	3.08
Total loans and advances to customers	**6,910,717**	**414,270**	**5.99**	**6,065,274**	**388,863**	**6.41**

Interest income from corporate loans increased by RMB9,534 million or 3.4% to RMB286,472 million compared to the previous year. The increase was primarily due to the increase of RMB381,621 million in the average balances in corporate loans, partially offset by the decrease of 34 basis points in the average yield. The decrease in the average yield was primarily because the PBOC decreased the benchmark interest rates twice in 2012, and therefore all re-priced loans and new loans adopted lower interest rates in 2013.

Interest income from discounted bills decreased by RMB1,187 million or 14.4% to RMB7,077 million compared to the previous year. The decrease was primarily due to the decrease of 115 basis points in the average yield, partially offset by the increase of RMB4,412 million in the average balances.

Interest income from retail loans increased by RMB15,607 million or 15.8% to RMB114,210 million compared to the previous year. The increase was primarily due to the increase of RMB366,408 million in the average balances, partially offset by the decrease of 39 basis points in the average yield. The decrease in the average yield was mainly because the PBOC decreased the benchmark interest rates twice in 2012, and therefore all re-priced loans and new loans adopted lower interest rates in 2013.

Interest income from overseas and other loans increased by RMB1,453 million or 28.7% to RMB6,511 million compared to the previous year. The increase was primarily due to the increase of RMB93,002 million in the average balances, partially offset by the decrease of 55 basis points in the average yield. The increase of average balances was mainly due to the rapid growth in loans of overseas institutions.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In 2013, the interest income from debt securities investments increased by RMB10,631 million from the previous year to RMB108,609 million. The increase was primarily due to an increase of RMB237,682 million in the average balances and 7 basis points in the average yield. The increase in the average yields was primarily due to: (1) our capability on favourable investment opportunities from rising interest rates in the debt securities market, improving the overall yield of non-restructuring-related debt securities; and (2) repayment of part of our MOF receivables which lowered the proportion of restructuring-related debt securities with relatively low yield.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB5,606 million to RMB37,517 million compared to the previous year. The decrease was mainly due to the decrease of RMB13,565 million in the average balances and the decrease of 22 basis points in the average yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB16,889 million to RMB52,988 million compared to the previous year. The increase was primarily due to the increase of RMB246,495 million in the average balances and the increase of 65 basis points in the average yield. The increase in the average yield was primarily due to: (1) the slightly tight market liquidity, resulting in an increase of inter-bank market interest rates; and (2) seizing investment opportunities in different stages in the currency markets by capitalizing on our advantage of sufficient and stable sources of fund.

Interest Expense

Interest expense increased by RMB12,998 million to RMB237,182 million compared to the previous year. The increase was mainly due to the increase of RMB1,130,166 million in the average balances of the interest-bearing liabilities, partially offset by the decrease of 8 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB8,186 million to RMB194,903 million compared to the previous year. The increase was mainly due to the increase of RMB1,008,395 million in the average balances, partially offset by the decrease of 10 basis points in the average cost. The decrease in the average cost was primarily because the PBOC decreased the benchmark interest rates twice in 2012 and therefore all re-priced deposits and new deposits adopted lower interest rates in 2013. We moderately increased the interest rates of certain time deposits, partially offsetting the influence of the interest rate cut.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

Item	2013			2012		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	1,398,060	48,211	3.45	1,430,987	48,757	3.41
Demand	3,025,141	22,511	0.74	2,642,553	19,576	0.74
Sub-Total	4,423,201	70,722	1.60	4,073,540	68,333	1.68
Retail deposits						
Time	3,441,837	112,388	3.27	3,179,011	105,804	3.33
Demand	3,305,790	11,793	0.36	2,909,882	12,580	0.43
Sub-Total	6,747,627	124,181	1.84	6,088,893	118,384	1.94
Total deposits from customers	**11,170,828**	**194,903**	**1.74**	**10,162,433**	**186,717**	**1.84**

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB1,520 million to RMB33,784 million compared to the previous year. The increase was primarily due to the increase of RMB36,377 million in the average balances and the increase of 3 basis points in the average cost. The increase in the average cost was primarily due to the tight market liquidity and the increase in inter-bank market interest rates.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB3,292 million to RMB8,495 million compared to the previous year, mainly due to the increase in the average balances by RMB85,394 million and the increase of 1 basis point in the average cost. The increase in the average balances was mainly due to the RMB50 billion subordinated bonds issued in December 2012 and the increase in medium-term notes and certificates of deposit issued by overseas branches in 2013.

Net Fee and Commission Income

In 2013, we generated net fee and commission income of RMB83,171 million, representing an increase of RMB8,327 million or 11.1% compared to the previous year. The proportion of net fee and commission income in our operating income was 17.86%, representing an increase of 0.25 percentage point compared to the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	22,760	20,617	2,143	10.4
Agency commissions	21,651	18,630	3,021	16.2
Consultancy and advisory fees	16,371	16,017	354	2.2
Bank card fees	15,929	12,559	3,370	26.8
Electronic banking service fees	6,564	5,364	1,200	22.4
Custodian and other fiduciary service fees	3,338	2,495	843	33.8
Credit commitment fees	2,687	2,228	459	20.6
Others	397	663	(266)	(40.1)
Fee and commission income	**89,697**	**78,573**	**11,124**	**14.2**
Less: Fee and commission expenses	6,526	3,729	2,797	75.0
Net fee and commission income	**83,171**	**74,844**	**8,327**	**11.1**

Settlement and clearing fees increased by RMB2,143 million or 10.4% to RMB22,760 million compared to the previous year. The increase was mainly due to the steady increase in fee income from settlements, leveraging on our extensive service channels and customer base.

Agency commissions increased by RMB3,021 million or 16.2% to RMB21,651 million compared to the previous year. The increase was mainly due to the rapid increase in income from wealth management on behalf of customers and agency commission income from the disposal of assets for the MOF.

Consultancy and advisory fees increased by RMB354 million or 2.2% to RMB16,371 million compared to the previous year. The increase was mainly due to the growth in consultation related to syndicated loans and wealth management and commission fees from bond financing.

Bank card fees increased by RMB3,370 million or 26.8% to RMB15,929 million compared to the previous year. The increase was mainly due to the steady increase in the fee income from bank card consumption and bank card instalment arrangement.

Electronic banking service fees increased by RMB1,200 million or 22.4% to RMB6,564 million compared to the previous year. The increase was mainly attributable to the growth of Internet banking, notification services and mobile banking.

Custodian and other fiduciary service fees increased by RMB843 million or 33.8% to RMB3,338 million compared to the previous year. The increase was mainly due to the increase in the income from custody business in relation to insurance, wealth management investment, funds, and trading and specialty capital accounts.

Credit commitment fees increased by RMB459 million or 20.6% to RMB2,687 million compared to the previous year. The increase was mainly due to the increase in income from guarantees for banks and other financial institutions and loan commitments.

Other Non-interest Income

In 2013, other non-interest income amounted to RMB6,398 million, representing a decrease of RMB1,843 million over the previous year.

Net trading gain amounted to RMB2,360 million, representing a decrease of RMB710 million over the previous year. The decrease was mainly due to the increased loss in bonds held for trading.

Net loss on financial instruments designated as at fair value through profit or loss amounted to RMB639 million, representing an increase of loss of RMB330 million compared to the previous year. The increase of loss was mainly due to the decrease of bond prices as market yields significantly increased in the second half of 2013, resulting in an increase of loss related to bonds designated as at fair value through profit or loss.

Net loss on investment securities amounted to RMB350 million, representing an increase of loss of RMB322 million compared to the previous year. The increase of loss was mainly due to the decrease of bond prices as bond yields significantly increased in the second half of 2013, resulting in an increase of loss on available-for-sale bonds.

Composition of Other Non-Interest Income

In millions of RMB

Item	2013	2012
Net trading gain	2,360	3,070
Net loss on financial instruments designated as at fair value through profit or loss	(639)	(309)
Net loss on investment securities	(350)	(28)
Other operating income	5,027	5,508
Total	6,398	8,241

Operating Expenses

In 2013, our operating expenses amounted to RMB198,607 million, representing an increase of RMB15,805 million compared to the previous year, and the cost-to-income ratio was 36.30%.

Staff costs amounted to RMB104,729 million, representing an increase of RMB9,969 million or 10.5%, compared to the previous year. Remuneration and bonus of employees increased by 9.5% (increased by 8.7% excluding a newly acquired institution). The increase was mainly due to the increase of staff remuneration resulting from the changes in the market and the increase of staff numbers.

General operating and administrative expenses increased by RMB876 million or 2.0% from the previous year to RMB45,750 million. While focusing on the business development in major regions and of major projects as well as the County Areas Banking Business, we also adopted a solid mechanism ensuring the growth of expense can be restrained by the growth of revenue. We also further refined the fee structure and enhanced the efficiency of financial expenses so as to control the growth in general operating and administrative expenses effectively.

Depreciation and amortization increased by RMB1,965 million or 12.7% to RMB17,461 million, compared to the previous year, mainly because we increased expenditure on the construction of outlets and electronic channels in recent years, resulting in a corresponding increase in depreciable assets.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2013	2012	Increase/ (decrease)	Growth rate (%)
Staff costs	104,729	94,760	9,969	10.5
General operating and administrative expenses	45,750	44,874	876	2.0
Business tax and surcharges	27,226	25,374	1,852	7.3
Depreciation and amortization	17,461	15,496	1,965	12.7
Insurance benefits and claims	669	—	669	—
Others	2,772	2,298	474	20.6
Total	**198,607**	**182,802**	**15,805**	**8.6**

Impairment Losses on Assets

In 2013, impairment losses on assets decreased by RMB1,245 million to RMB52,990 million compared to the previous year.

Impairment losses on loans decreased by RMB2,502 million to RMB52,126 million compared to the previous year, primarily due to the decrease of allowance for impairment losses on loans on a collectively assessed basis.

Impairment losses on other assets amounted to RMB864 million, representing an increase of RMB1,257 million compared to the previous year, primarily due to the increase of allowance for impairment losses on financial assets such as held-to-maturity investments, placements and investment classified as receivables.

Income Tax Expense

In 2013, our income tax expense amounted to RMB47,963 million, representing an increase of RMB5,167 million or 12.1%, compared to the previous year. The increase was primarily due to the increase in our profit before tax. The effective tax rate was 22.39% in 2013, which was lower than the statutory tax rate. This was mainly because: (1) the interest income derived from the PRC treasury bonds and local government bonds held by the Bank was exempted from the enterprise income tax; and (2) 90% of the interest income on small loans to rural households was included in the calculation of taxable profits.

Segment Information

We assessed our performance and determined the allocation of resources based on segment reports. The segment information was reported in the same manner as the basis of internal management and reporting. At present, we managed all segments from the perspectives of business lines, geographical segments, and the County Area Banking Business.

The table below sets out our operating income by business segment during the period indicated.

In millions of RMB, except for percentages

Item	2013 Amount	2013 Percentage (%)	2012 Amount	2012 Percentage (%)
Corporate banking business	253,092	54.3	249,522	58.7
Retail banking business	180,223	38.7	149,398	35.2
Treasury operations	27,916	6.0	23,473	5.5
Other business	4,540	1.0	2,571	0.6
Total operating income	**465,771**	**100.0**	**424,964**	**100.0**

The table below sets out our operating income by geographic segment during the period indicated.

In millions of RMB, except for percentages

Item	2013 Amount	2013 Percentage (%)	2012 Amount	2012 Percentage (%)
Head Office	44,365	9.5	42,951	10.1
Yangtze River Delta	97,953	21.0	91,650	21.6
Pearl River Delta	61,545	13.2	54,775	12.9
Bohai Rim	74,729	16.0	67,717	15.9
Central China	61,720	13.3	55,400	13.0
Western China	102,332	22.0	92,474	21.8
Northeastern China	16,555	3.6	15,519	3.6
Overseas and others	6,572	1.4	4,478	1.1
Total operating income	**465,771**	**100.0**	**424,964**	**100.0**

Note: Please refer to "Note IV.42 Operating Segments" to the financial statements for details of geographic segments.

The table below sets out operating income of the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

Item	2013 Amount	2013 Percentage (%)	2012 Amount	2012 Percentage (%)
County Area Banking Business	186,085	40.0	167,319	39.4
Urban Area Banking Business	279,686	60.0	257,645	60.6
Total operating income	**465,771**	**100.0**	**424,964**	**100.0**

Balance Sheet Analysis

Assets

At 31 December 2013, our total assets amounted to RMB14,562,102 million, representing an increase of RMB1,317,760 million or 9.9% compared to the end of the previous year. Net loans and advances to customers increased by RMB749,111 million or 12.2%. Net investment in securities and other financial assets increased by RMB363,950 million or 12.7%. Cash and balances with central banks decreased by RMB9,309 million or 0.4%. Deposits and placements with banks and other financial institutions increased by RMB220,720 million or 45.5%, which was mainly due to the increase in lending in order to optimize our capital utilization efficiency. Financial assets held under resale agreements decreased by RMB77,568 million or 9.5%, mainly due to the decrease in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	7,224,713	—	6,433,399	—
Less: Allowance for impairment losses on loans	322,191	—	279,988	—
Loans and advances to customers, net	6,902,522	47.4	6,153,411	46.4
Investment in securities and other financial assets, net	3,220,098	22.1	2,856,148	21.6
Cash and balances with central banks	2,603,802	17.9	2,613,111	19.7
Deposits and placements with banks and other financial institutions	706,333	4.8	485,613	3.7
Financial assets held under resale agreements	737,052	5.1	814,620	6.2
Others	392,295	2.7	321,439	2.4
Total assets	**14,562,102**	**100.0**	**13,244,342**	**100.0**

Loans and Advances to Customers

At 31 December 2013, our total loans and advances to customers amounted to RMB7,224,713 million, representing an increase of RMB791,314 million or 12.3% over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Loans granted by domestic branches	6,914,985	95.7	6,242,913	97.0
Corporate loans	4,728,857	65.4	4,427,989	68.8
Discounted bills	92,823	1.3	107,601	1.7
Retail loans	2,093,305	29.0	1,707,323	26.5
Overseas and others	309,728	4.3	190,486	3.0
Total	**7,224,713**	**100.0**	**6,433,399**	**100.0**

Corporate loans amounted to RMB4,728,857 million, representing an increase of RMB300,868 million or 6.8% over the end of the previous year, mainly because we provided strong support for strategic emerging industries as well as ongoing and continued key national projects, increased loans to small and micro enterprises and promoted the innovation of our credit products, so as to ensure the steady increase of corporate loans.

Discounted bills amounted to RMB92,823 million, representing a decrease of RMB14,778 million or 13.7% over the end of the previous year, primarily because we appropriately adjusted the scale of discounted bills in response to the changes in market demand and interest rate.

Retail loans amounted to RMB2,093,305 million, representing an increase of RMB385,982 million or 22.6% over the end of the previous year, primarily because we continued to implement the strategy of prioritizing the development of retail loan business through diversifying retail loan products and expanding the high-end customer base, accelerated the development of consumption loans and developed market segments for loans to private businesses, so as to achieve the rapid growth of retail loans.

Overseas and other loans amounted to RMB309,728 million, representing an increase of RMB119,242 million or 62.6% over the end of the previous year, primarily because we further strengthened the marketing synergies of domestic and overseas loan business, which boosted the trade financing in our overseas branches.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Short-term corporate loans	2,141,372	45.3	2,052,593	46.4
Medium- and long-term corporate loans	2,587,485	54.7	2,375,396	53.6
Total	**4,728,857**	**100.0**	**4,427,989**	**100.0**

Short-term corporate loans increased by RMB88,779 million or 4.3% over the end of the previous year. Medium- and long-term corporate loans increased by RMB212,089 million, or 8.9% over the end of the previous year, with its proportion to the total corporate loans increased by 1.1 percentage points to 54.7%, mainly due to a moderate increase in the grant of medium- and long-term loans in response to the changes in the macro-economic and financial conditions.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,372,785	29.0	1,349,998	30.4
Production and supply of power, heat, gas and water	484,810	10.3	478,177	10.8
Real estate[1]	533,141	11.3	459,978	10.4
Transportation, logistics and postal services	605,512	12.8	515,501	11.6
Wholesale and retail	522,078	11.0	477,434	10.8
Water, environment and public utilities management	204,834	4.3	200,362	4.5
Construction	199,892	4.2	202,875	4.6
Mining	213,579	4.5	188,557	4.3
Leasing and commercial services	328,364	7.0	290,196	6.6
Information transmission, software and IT services	24,583	0.5	20,798	0.5
Others[2]	239,279	5.1	244,113	5.5
Total	**4,728,857**	**100.0**	**4,427,989**	**100.0**

Notes: 1. Loans in the above table are based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects of enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans to enterprises in the real estate industry.

2. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

During the reporting period, we strengthened the research on the macro-economic policies and industrial policies of China and strictly complied with the national macro-economic control policies and regulatory requirements. Credit support provided for strategic emerging industries, modern service industry and advanced manufacturing industry were enhanced. We strictly implemented the industry-specific risk limitation management and customer list-based management. We also tightened the control of credit facilities to government financing vehicles and Industries with high energy consumption, high pollution or overcapacity. Therefore, the structure of our loan portfolio by industry was further improved.

At 31 December 2013, the five major industries of our corporate loans included: (1) manufacturing; (2) transportation, logistics and postal services; (3) real estate; (4) wholesale and retail; and (5) production and supply of power, heat, gas and water. Aggregate loans to the five major industries accounted for 74.4% of our total corporate loans, representing an increase of 0.4 percentage point over the end of the previous year. The industry with the largest increase in proportion to our total corporate loans was transportation, logistics and postal services, while manufacturing recorded the largest decrease in proportion to total corporate loans.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	1,292,007	61.7	1,050,999	61.6
Personal consumption loans	202,808	9.7	170,365	10.0
Loans to private businesses	255,808	12.2	200,397	11.7
Credit card overdraft	194,330	9.3	149,138	8.7
Loans to rural households	146,853	7.0	134,484	7.9
Others	1,499	0.1	1,940	0.1
Total	**2,093,305**	**100.0**	**1,707,323**	**100.0**

At 31 December 2013, our residential mortgage loans increased by RMB241,008 million or 22.9% over the end of the previous year to RMB1,292,007 million, primarily because we prioritized the granting of loans to households purchasing their first common residential houses for their own personal use, and further developed the retail mortgage loan business through cooperation with high-quality real estate developers and second-hand housing agencies.

Personal consumption loans increased by RMB32,443 million or 19.0% over the end of the previous year to RMB202,808 million, primarily because we strengthened product innovation and provided consumption loans to meet the needs of residents in line with relevant national policies, which boosted the growth in personal consumption loans.

Loans to private businesses increased by RMB55,411 million or 27.7% over the end of the previous year to RMB255,808 million, primarily because we expanded loans provided to private businesses with primary focus on credit support for small and micro enterprise owners and self-employed businesses.

Credit card overdraft increased by RMB45,192 million or 30.3% over the end of the previous year to RMB194,330 million, primarily due to our great efforts in developing credit card instalment payment products as well as the continuous increase of the number of credit cards issued and credit card consumption, resulting in the rapid increase in overdraft balances of credit cards.

Loans to rural households increased by RMB12,369 million or 9.2% over the end of the previous year to RMB146,853 million, mainly because we accelerated the business transformation of loans to rural households, strengthened the centralised operation of loans to rural households and increased the credit limit for high-quality customers in the agriculture industry chain.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Head Office	115,137	1.6	106,084	1.6
Yangtze River Delta	1,780,275	24.7	1,663,800	25.8
Pearl River Delta	1,012,994	14.0	910,887	14.2
Bohai Rim	1,251,196	17.3	1,131,843	17.6
Central China	893,855	12.4	783,830	12.2
Northeastern China	277,263	3.8	243,592	3.8
Western China	1,584,265	21.9	1,402,877	21.8
Overseas and others	309,728	4.3	190,486	3.0
Total	**7,224,713**	**100.0**	**6,433,399**	**100.0**

We further optimized regional credit allocation by maintaining the credit facilities to Yangtze River Delta, Pearl River Delta and Bohai Rim region and allocating more credit resources to Central China, Western China and Northeastern China which demonstrated relatively large credit demand. In 2013, the total loans to customers in Central China, Western China and Northeastern China amounted to RMB2,755,383 million, representing 38.1% of the gross loans to customers, increasing by 0.3 percentage point compared to the end of the previous year. In addition, we strengthened the marketing synergies between domestic and overseas loan businesses, resulting in an increase of 1.3 percentage points in the proportion of overseas and other loans.

Investments

At 31 December 2013, our net investment in securities and other financial assets increased by RMB363,950 million or 12.7% to RMB3,220,098 million over the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Non-restructuring-related debt securities	2,533,100	78.7	2,234,895	78.2
Restructuring-related debt securities	455,354	14.1	486,183	17.0
Equity instruments	1,888	0.1	1,445	0.1
Others[1]	229,756	7.1	133,625	4.7
Total	**3,220,098**	**100.0**	**2,856,148**	**100.0**

Note: 1. Mainly including the assets generated by investment of the proceeds from issuance of wealth management products.

At 31 December 2013, non-restructuring-related debt securities investments increased by RMB298,205 million over the end of the previous year, primarily because we strengthened our research on the general economic conditions and appropriately increased the investment in bonds in line with the market trends. The restructuring-related debt securities investments decreased by RMB30,829 million over the end of the previous year, mainly because the repayment of part of our receivables from the MOF. Other investment increased by RMB96,131 million over the end of the previous year mainly due to the increase in the assets generated by investment of the proceeds from issuance of wealth management products.

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Government bonds	652,247	25.8	654,454	29.3
PBOC bills	36,563	1.4	107,353	4.8
Bonds issued by policy banks	1,237,664	48.9	1,001,584	44.8
Bonds issued by other banks and financial institutions	120,131	4.7	92,739	4.2
Bonds issued by entities in public sectors and quasi-governments	96,904	3.8	69,256	3.1
Corporate bonds	389,591	15.4	309,509	13.8
Total	**2,533,100**	**100.0**	**2,234,895**	**100.0**

The proportions of investment in bonds issued by policy banks and corporate bonds increase by 4.1 percentage points and 1.6 percentage points, respectively, mainly because we further optimized the structure of our bond portfolio and increased the investments in bonds issued by policy banks as well as corporate bonds with better risk-return combination in response to the changing market conditions. The proportions of investment in government bonds decreased by 3.5 percentage points, mainly due to the maturity of certain government bonds held by us. The proportion of PBOC bills decreased by 3.4 percentage points, mainly due to the decrease in issuance volume of PBOC bills and maturity of certain PBOC bills held by us.

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Remaining maturity	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	1	—	5	—
Less than 3 months	119,402	4.7	83,005	3.7
3–12 months	398,339	15.7	400,558	17.9
1–5 years	1,242,866	49.1	1,113,211	49.8
More than 5 years	772,492	30.5	638,116	28.6
Total	**2,533,100**	**100.0**	**2,234,895**	**100.0**

In 2013, the maturity structure of our debt securities portfolio was generally balanced. We increased our investment in long-term debt securities products to obtain higher yield and properly increased investment in short-term bonds to maintain a flexible portfolio.

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
RMB	2,464,914	97.3	2,171,858	97.2
USD	56,108	2.2	44,897	2.0
Other foreign currencies	12,078	0.5	18,140	0.8
Total	**2,533,100**	**100.0**	**2,234,895**	**100.0**

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Financial assets at fair value through profit or loss[1]	322,882	10.0	183,255	6.4
Available-for-sale financial assets	781,311	24.3	755,503	26.5
Held-to-maturity investments	1,523,815	47.3	1,308,796	45.8
Debt securities classified as receivables	592,090	18.4	608,594	21.3
Total	**3,220,098**	**100.0**	**2,856,148**	**100.0**

Note: 1. Including financial assets held for trading and financial assets designated as at fair value through profit or loss.

Investment in Financial Bonds

Financial bonds refer to the securities issued by the PRC policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 31 December 2013, the balance of financial bonds was RMB1,357,795 million, including bonds of RMB1,237,664 million issued by the PRC policy banks and bonds of RMB120,131 million issued by commercial banks and other financial institutions.

The table below sets out the top ten financial bonds held by the Bank in terms of face value as of 31 December 2013.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2013 policy bank bonds	14,440	3.98%	2016-7-18	—
2013 policy bank bonds	11,970	3.91%	2014-7-18	—
2013 policy bank bonds	11,100	3.89%	2016-1-10	—
2012 policy bank bonds	10,000	3.22%	2014-6-29	—
2012 policy bank bonds	10,000	3.10%	2014-4-28	—
2012 policy bank bonds	10,000	3.12%	2014-1-20	—
2011 policy bank bonds	10,000	One-year time deposit interest rate+0.73%	2017-12-23	—
2012 policy bank bonds	10,000	3.94%	2014-12-28	—
2011 policy bank bonds	10,000	3.81%	2017-12-23	—
2013 policy bank bonds	9,950	4.02%	2018-7-18	—

Note: 1. Allowance in this table refers to individually assessed allowance, not including collectively assessed allowance.

Liabilities

At 31 December 2013, our total liabilities increased by RMB1,224,577 million or 9.8% over the end of previous year to RMB13,717,565 million. Deposits from customers increased by RMB948,476 million or 8.7%, while deposits and placements from banks and other financial institutions decreased by RMB30,356 million. Financial assets sold under repurchase agreements increased by RMB19,156 million.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	11,811,411	86.1	10,862,935	87.0
Deposits and placements from banks and other financial institutions	903,717	6.6	934,073	7.5
Financial assets sold under repurchase agreements	26,787	0.2	7,631	—
Bonds issued	156,300	1.1	150,885	1.2
Other liabilities	819,350	6.0	537,464	4.3
Total	**13,717,565**	**100.0**	**12,492,988**	**100.0**

Deposits from Customers

Reinforcing cost control while maintaining our competitiveness, we strengthened the management of liabilities in response to the challenges brought by the liberalization of interest rate. With our efforts in the marketing of retail deposits and short-term deposits, we achieved steady growth in the deposit business. At 31 December 2013, deposits from customers increased by RMB948,476 million or 8.7% over the end of previous year to RMB11,811,411 million. In terms of customer profile of deposits, the corporate deposits increased by RMB330,924 million or 8.3% over the end of previous year, and the retail deposits increased by RMB501,771 million or 7.8% over the end of previous year.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Domestic deposits	11,746,042	99.4	10,813,416	99.5
Corporate deposits	4,311,407	36.5	3,980,483	36.6
Time	1,301,010	11.0	1,277,486	11.8
Demand	3,010,397	25.5	2,702,997	24.8
Retail deposits	6,923,647	58.6	6,421,876	59.1
Time	3,486,252	29.5	3,200,068	29.5
Demand	3,437,395	29.1	3,221,808	29.6
Other deposits[1]	510,988	4.3	411,057	3.8
Overseas and others	65,369	0.6	49,519	0.5
Total	**11,811,411**	**100.0**	**10,862,935**	**100.0**

Note: 1. Including margin deposits, remittance payables and outward remittance and so on.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	50,851	0.4	60,463	0.6
Yangtze River Delta	2,653,839	22.5	2,451,437	22.5
Pearl River Delta	1,596,288	13.5	1,496,633	13.8
Bohai Rim	2,118,519	17.9	1,920,441	17.7
Central China	1,956,615	16.6	1,774,725	16.3
Northeastern China	613,571	5.2	578,199	5.3
Western China	2,756,359	23.3	2,531,518	23.3
Overseas and others	65,369	0.6	49,519	0.5
Total	**11,811,411**	**100.0**	**10,862,935**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Demand	6,993,059	59.2	6,564,313	60.4
Less than 3 months	1,576,831	13.3	1,277,751	11.8
3–12 months	2,159,729	18.3	1,966,871	18.1
1–5 years	1,081,790	9.2	1,053,998	9.7
More than 5 years	2	—	2	—
Total	**11,811,411**	**100.0**	**10,862,935**	**100.0**

Shareholders' Equity

At 31 December 2013, our shareholders' equity amounted to RMB844,537 million, comprising share capital of RMB324,794 million, capital reserve of RMB98,773 million, surplus reserve of RMB60,632 million, general reserve of RMB139,204 million and retained earnings of RMB243,482 million. Net assets per share was RMB2.60.

The table below sets out the composition of shareholders' equity as of the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2012 Amount	31 December 2012 Percentage (%)
Share capital	324,794	38.4	324,794	43.2
Capital reserve	98,773	11.7	98,773	13.1
Investment revaluation reserve	(22,772)	(2.7)	(901)	(0.1)
Surplus reserve	60,632	7.2	43,996	5.9
General reserve	139,204	16.5	75,349	10.0
Retained earnings	243,482	28.8	208,488	27.8
Foreign currency translation reserve	(1,005)	(0.1)	(684)	(0.1)
Equity attributable to equity holders of the Bank	843,108	99.8	749,815	99.8
Non-controlling interests	1,429	0.2	1,539	0.2
Total equity	**844,537**	**100.0**	**751,354**	**100.0**

Off-Balance Sheet Items

Our off-balance sheet items mainly include derivative financial instruments, contingent liabilities and commitments. We enter into currency rate, interest rate and precious metals related derivative financial instruments for the purposes of trading, asset and liability management and business on behalf of customer. Our contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets and legal proceedings. Credit commitments were a major component of the off-balance sheet items and comprised loan commitments, bank acceptances, letters of guarantee issued and guarantees, letters of credit issued and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	470,269	31.7	563,941	37.9
Bank acceptances	404,852	27.4	397,311	26.6
Letters of guarantee issued and guarantees	191,073	12.9	181,872	12.2
Letters of credit issued	196,069	13.2	146,712	9.9
Credit card commitments	219,682	14.8	199,555	13.4
Total	**1,481,945**	**100.0**	**1,489,391**	**100.0**

Other Financial Information

Changes in Accounting Policies

There was no significant change in accounting policies during the reporting period.

The MOF issued five new and revised CASs standards in early 2014, and the Bank has adopted these accounting standards prior to the effective date in the preparation of our financial statements in accordance with CASs. The adoption of these standards does not have any impact on our financial statements prepared under IFRSs and the Bank does not need to retrospectively adjust our previously issued financial statements which were prepared under IFRSs.

Differences between the financial statements prepared under IFRSs and those prepared in accordance with CASs

There were no differences between the net profit and shareholder's equity in the consolidated financial statements prepared under IFRSs and those prepared in accordance with CASs by the Bank.

Items Measured at Fair Value and Internal Control

The Bank measured the fair value of financial instruments in an active market mainly based on their market price or the market interest rate. As for financial instruments with no market price or interest rate available, the Bank will determine the fair value of such financial assets or liabilities based on its present value of future cash flow or other valuation techniques by using observables in an active market.

The Bank's financial instruments measured at fair value primarily include RMB-denominated bonds, foreign currency denominated bonds and derivatives. The fair value of RMB-denominated bonds is mainly based on quoted market price provided by China Government Securities Depository Trust & Clearing Co., Ltd. The fair value of foreign currency denominated bonds is mainly based on the quoted prices from dealers and valuation service providers. The fair value of derivatives is mainly determined by adopting valuation model and obtaining the prices from counter-parties. Except for the fair value of a few financial instruments which was determined according to the regular quoted prices from dealers and prices obtained from counter-parties, fair value measurement of most of the financial instruments of the Bank was conducted on a daily basis.

The Bank has set up a strict internal control system for fair value measurement. A clear separation of the front, middle and back office functions with cross-supervision and checking mechanism has been implemented for our fund investment and transactions business, under which operations of the front office are independently overseen by the middle office through risk management policies, authorization, credit approval and limit, and by the back office through transaction verification and account reconciliation. Fair value measurement is conducted by the middle office, which is separated from business operations to ensure its independence.

Items Measured at Fair Value

In millions of RMB

Item	31 December 2012	Gains/(losses) arising from fair value changes for the year	Accumulated fair value changes recognised in equity	Impairment loss charged for the year	31 December 2013
Financial assets at fair value through profit or loss	183,255	34	—	—	322,882
Available-for-sale financial assets	755,279	—	(30,326)	129	781,070
Derivative financial assets	4,825	3,361	—	—	8,186
Precious metals	9,203	(3,104)	—	—	19,185
Total assets	**952,562**	**291**	**(30,326)**	**129**	**1,131,323**
Total liabilities	**(164,259)**	**(2,375)**	**—**	**—**	**(313,894)**

Notes: 1. Total liabilities included financial liabilities at fair value through profit or loss and derivative financial liabilities.
2. The assets and liabilities set out in the above table do not represent the reconciliation of movement of each account balance.

Equity Investment in Other Companies

Shares Held by the Bank in Other Listed Companies and Financial Enterprises[1]

Name of investee company	Investment cost (RMB Yuan)	Number of shares held at the beginning of the period (10,000 shares)	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period (10,000 shares)	Shareholding percentage at the end of the period (%)	Book value at the end of the reporting period (RMB Yuan)	Gain/loss during the reporting period[2] (RMB Yuan)	Change in shareholders' equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd.	146,250,000	11,250	3.84	11,250	3.84	146,250,000	4,500,000	—	Available-for-sale financial assets	Investment of self-owned capital
Evergrowing Bank Co., Ltd	11,750,000	3,176	0.45	3,176	0.45	11,750,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
China Guangfa Bank Co., Ltd.	61,433,777	2,219	0.14	2,219	0.14	61,433,777	—	—	Available-for-sale financial assets	Investment of self-owned capital
OTC Clearing Hong Kong Limited	16,510,830	—	—	0.01	2.08	16,510,830	—	—	Available-for-sale financial assets	Investment of self-owned capital
MasterCard Incorporated	10,573,299	4.00	0.01	4.00	0.01	188,734,597	—	76,038,635	Available-for-sale financial assets	Investment of self-owned capital
Visa Inc.	15,290,007	6.00	0.03	6.00	0.03	74,462,844	—	24,356,910	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Financial Co., Ltd.	100,074,554	—	10.00	—	10.00	101,267,779	(89,244)	—	Financial assets at fair value through profit or loss	Investment of self-owned capital

Notes: 1. The shares of listed companies and financial enterprises specified above are recognized as interests in associates, financial assets at fair value through profit or loss and available-for-sale financial assets.

2. Mainly including investment gains.

Trading of shares of other listed companies

Number of shares bought during the reporting period (shares)	Number of shares sold during the reporting period (shares)	Capital used (RMB Yuan)	Investment return incurred (RMB Yuan)
—	92,656,550	—	309,468,531

Business Review

Corporate Banking

In 2013, the Bank actively responded to changes in market and policies, modified its overall development plan of corporate banking and further transformed the corporate banking business. To proactively support the development of the real economy, the Bank provided more financial support to major projects and projects in key regions, projects in the Shanghai Free Trade Zone, shanty town transformation projects and old city renovation projects. To capture opportunities brought by new urbanization, the Bank improved its integrated financial service capability for urban infrastructure construction. More credit support was devoted to small and micro enterprises with higher credit rating and the integrated service capability for small and micro enterprises was improved. The Bank strengthened its marketing efforts by focusing on specific marketing, integrated marketing and synergistic marketing to make use the synergy advantages through cooperation between city and rural, local and overseas business sectors, and the Bank and its local branches. The bank strengthened the integrated operation of branch outlets and improved the quality and efficiency of the development in branch outlets. The Bank further developed its investment banking and Internet finance and promoted the marketing and sales of major products, including supply chain financing, wealth management and financing, syndicated loans and easy loans for small enterprises to retain customers. The Bank refined its policies and business processes and improved its IT systems to enhance application of the information technology in its operation.

As of the end of 2013, we had 3.26 million corporate banking customers, of which 77.5 thousand had outstanding loan balances.

Corporate Loans and Deposits

In 2013, in response to the challenges brought by the liberalization of the interest rate and the liquidity environment in the market, the Bank refined its business structure and put a great effort into product promotion and financial service innovation. Leveraging on strong marketing efforts, the corporate deposits maintained a steady growth. As of the end of 2013, the balance of our domestic corporate deposits reached RMB4,311,407 million, representing an increase of RMB330,924 million or 8.3% over the end of the previous year.

During the reporting period, the Bank provided more credit supporting to the real economy, as well as marketing for major projects and core customers. The Bank also strictly complied with its industrial credit policies to further optimize its loan portfolio. As of the end of 2013, our outstanding domestic corporate loans and discounted bills amounted to RMB4,821,680 million, representing an increase of RMB286,090 million or 6.3% over the end of the previous year. Valued corporate customers accounted for 79.4% of the total number of our corporate customers, representing an increase of 5.9 percentage points over the end of the previous year. The proportion of loans to valued corporate customers amounted to 89.6% of total corporate loans, representing an increase of 2.3 percentage points over the end of the previous year.

During the reporting period, the Bank optimized its loan portfolio and strengthened its post-disbursement management to prevent risks relating to real estate loans. As of 31 December 2013, the balance of real estate loans to corporate customers amounted to RMB394,964 million, representing an increase of RMB48,175 million over the end of the previous year. Real estate loans granted to customers of AA-grade or above amounted to RMB323,072 million, accounting for 81.8% of the total real estate loans to corporate customers, representing an increase of RMB67,583 million which accounts for an increase of 8.1 percentage points over the end of the previous year. Additional real estate loans to corporate customers in 2013 were mainly provided for development of residential properties. As of 31 December 2013, the real estate loans for development of residential properties amounted to RMB228,229 million, representing an increase of RMB53,343 million over the end of the previous year.

Small and Micro Enterprise Banking Business

During the reporting period, pursuant to government policy to support the development of small and micro enterprises, the Bank formulated a separate credit plan for small and micro enterprises, placing particular emphasis on the small and micro enterprises in County Areas, with technology, in innovative industries and newly established enterprises. Leveraging on its competitive advantages in County Area Banking Business, the Bank further expanded the coverage of banking services for small and micro enterprises. The Bank actively developed on Internet finance model to provide more convenient banking services to small and micro enterprises. In order to meet small and micro enterprises' different demands for banking services, the Bank introduced the "easy loans" products and accelerated the research and development of supply chain financing products and tailored local products. The Bank has adopted preferential policies for small and micro enterprises, including the waiver of 29 and 33 investment banking service fees for small enterprises and micro enterprises, respectively, to reduce their financial costs. The Bank improved its efficiency by introducing innovative bulk customer service and bulk approval process to approve aggregate credit lines for customers of the same industry, related businesses and markets and customers from third party platform.

As of the end of 2013, loans to small and micro enterprises amounted to RMB813,301 million[1], representing an increase of RMB157,116 million or 23.9% over the end of the previous year. The growth rate was higher than that of the total loans of Bank-wide by 11.6 percentage points.

1 *The Bank adjusted the statistical range according to the Guidelines on Promotion of Financial Services for Small and Micro Businesses issued by the CBRC (Yin Jian Fa [2013] No. 7), concluding the loans to both private industrial households and masters of small and micro businesses into the scope of loans to small and micro enterprises.*

Institutional Banking

As of the end of 2013, we established agency cooperation relationships with 170 banks. We offered third-party depositary services to 99 securities firms for their transaction settlement funds, and the number of our contracted customers reached 13,925.7 thousand. The average daily balance of funds deposited amounted to RMB66,644 million. A total of 154 futures brokerage companies used our Bank-Futures Account System and 159 futures brokerage companies established cooperation relationships with us, with outstanding margin deposits amounting to RMB28,690 million. We established comprehensive cooperation relationships with financial leasing companies, asset management companies and automobile financial companies and the balance of credit support reached RMB134,060 million.

In order to further enhance its integrated banking services for fiscal, livelihood and cultural sectors, the Bank established various IT systems, including "Yin Cai Tong", "Yin Guan Tong", "Yin Yi Tong" and "Yin Cai Tong" and a housing funds data collection system. The Bank also boosted the rapid growth in businesses, including fiscal agency service, corporate cards, campus cards, medical cards, social security cards, co-brand cards for housing funds, agency services related to the centralized payment of social insurance and provident funds.

The Bank maintained its leading position in the bancassurance market and collected new insurance premiums of RMB95,385 million and recorded a total income of RMB3,631 million from bancassurance this year. Our market share ranked first for four consecutive years among the four major commercial banks in China in terms of revenue.

Settlement and Cash Management

Payment and Settlement

By upgrading the quality and enlarging the scale of accounts, the bank successfully improved the utilization of products and its customer base. The Bank provided small- and medium-sized enterprises (SMEs) with high quality and convenient services by introducing and promoting settlement package service and settlement card. As of the end of 2013, we had 3.9845 million RMB-denominated corporate settlement accounts, representing an increase of 7.2% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB387.02 trillion, representing an increase of 33.8% compared to the previous year.

Cash Management

The Bank further enhanced the marketing of cash management to group customers by improving its cash management process and customer services system. The Bank provided privileged services to major customers to enhance the efficiency of customer services. Through promoting "Piao Ju Chi" products, the Bank improved the group customers' delicacy management for notes. Moreover, the Bank exerted effort in marketing to international group customers, deepening relationships with foreign-invested banks and expanding its worldwide cash management market. The Bank consolidated its position in the cash management market through promoting "Xing Yun", the cash management brand of the Bank. In 2013, the Bank was awarded "Best Cash Management Brand" by *CFO World*. As of the end of 2013, the Bank had 254 thousand cash management customers, representing an increase of 56.8% compared to the end of the previous year. Total transaction volume of cash management reached RMB144.2 trillion, representing an increase of 33.3% compared to the previous year.

Trade Financing and International Settlement

In order to fulfill different trade financing demands of customers, the Bank introduced various key products, namely cross-border factoring, trade financing for bulk commodities and receivables pool financing. Through introducing innovative financing products under export credit special insurance, the competitiveness of general businesses, such as international settlement and exchange settlement, was improved. As a result of our continuous products innovation and business promotion, our cross-border RMB-denominated settlement business experienced a rapid growth. In 2013, the Bank was awarded "The Best Growing Trade Financing Bank" in the second election of "Outstanding Bank for Trading Finance" organized by the China Banking Association. In 2013, the total volume of international settlement conducted by our domestic branches amounted to USD781,082 million, representing an increase of 16.4% compared to the previous year. Our domestic branches issued an aggregate of USD28,604 million of letters of guarantee, representing an increase of 98.8% compared to the previous year. Cross-border RMB-denominated settlement totaled RMB641,004 million, representing an increase of 66.7% compared to the previous year.

Investment Banking

In 2013, the Bank focused on the development of high-ended investment banking businesses, including bond underwriting, wealth management and financing, syndicated loans and loans for M&A to transform its businesses into our investment banking business in line with the changes in regulatory policies and demands in the market.

During the reporting period, we underwrote 180 debt instruments with an aggregate value of RMB240,000 million. The Bank developed wealth management and financing businesses and provided customized wealth management and financing services to major customers of 207 branches and sub-branches. The Bank acted as a lead manager and participated in large syndicated lending projects and the scale of and income from syndicated loans maintained a rapid growth. The Bank supported customers to expand their businesses through listing and merger and acquisitions (M&A) and provided these customers with banking services, such as listing financial consultation, M&A and restructure financial consultation, and loans for M&A. The Bank established mechanism and supporting system for credit asset securitization business and also promoted credit asset securitization projects of various maturities initiated by the Bank. In response to the energy saving, emission reduction and green development policies of China, the Bank further promoted the development of its innovative products, such as "Energy Management Contract (EMC) consultation and financing" and "Clean Development Mechanism (CDM) consultation".

The Bank was awarded as "The Outstanding Contribution Bank ", "Best Syndicate Development" and "Best Deal of syndicate" by the China Banking Association. The Bank was also selected as the "Best Investment Bank", "Best Bond Underwriting Bank", "Best Bank of Syndicated Financing", "Best Bank of Private Debt" and "Best Loans for Merger and Acquisition for the Year" by *Securities Times*. Furthermore, the Bank was recognized as "Best Bond Underwriting Bank" by *Global Finance* and was awarded "Best Investment Banking Business" by *CFO World*.

Custody Service

As of the end of 2013, we had RMB3,585,914 million of assets under custody, representing an increase of 20.6% over the end of the previous year. Among them, insurance assets under custody amounted to RMB1,707,074 million, representing an increase of 26.9% over the end of the previous year, ranking first among the banking industry in China. In 2013, our custody and other fiduciary service fees amounted to RMB3,338 million, representing an increase of 33.8% compared to the previous year.

Pension Business

In 2013, we won the bids for a number of pension fund projects of several well-known enterprises, actively promoted integrated schemes for corporate annuities and steadily expanded our custody business for the new rural pension insurance fund program and various social security funds. As of the end of 2013, pension funds under our custody reached RMB208,160 million, representing an increase of 24.0% over the end of the previous year.

Retail Banking

In 2013, in response to intensified market competitions, the Bank continued to accelerate the strategic transformation of our retail banking business and aimed to become a first-class retail bank in China. We steadily implemented the retail customers' value enhancing project by constantly improving our layered customer marketing and enriching the value-added services. We strengthened the service quality of outlets to improve customers' experience and satisfaction. We also gradually carried out our project relating to customer information data governance, and promoted the application of the new retail banking customer relationship management system. We strengthened the exploration of potential customer value and marketing synergies between corporate and retail banking businesses to expand our customer base effectively. We constantly enhanced its core competitive advantages, including retail deposits, retail loans, bank cards and private banking and speeded up product innovation, as a result, our retail banking business achieved a stable and healthy growth. We were awarded, as "the Best Retail Bank of China in 2013" by *Money Week*.

As of the end of 2013, we had 440 million retail customers, ranking first among all large commercial banks, and among which we had more than 19 million VIP retail customers. We had over 16,000 domestic Associate Financial Planners (AFP), over 2,100 international Certified Financial Planners (CFP) and more than 700 Executive Financial Planners (EFP), maintaining a leading position among all commercial banks in China.

Retail Loans

As of the end of 2013, the balance of domestic retail loans reached RMB2,093,305 million, representing an increase of 22.6% over the end of the previous year.

We actively supported individuals in purchasing first common commercial house for their own use. We implemented the national general plan for the new pattern of urbanization and provided loans to county residents. In response to the loan demands from customers in specialized markets and downstream and upstream core enterprises in industrial chains, we introduced an innovative service model to enhance our capability to serve small and micro enterprises. We constantly strengthened our innovation of product, IT system and service model. We successfully commenced and promoted the operations of the online retail loans platform system to build an integrated retail loan business system comprised of marketing, production and management. We also introduced several cross-sector projects such as automotive syndicated loans and student loan "Bao Jie Dai". We were recognised as the "Best Innovative Bank of Retail Loan" by CBN Financial Value Ranking, and our online retail loans platform system was awarded as "Retail Loans Provider with Outstanding Competitiveness in 2013" jointly by Chinese Academy of Social Sciences (CASS) and China Business Journal.

Retail Deposits

In 2013, according to changes in macro-economic conditions, we adjusted the development plan of our liability business. By refining the functions of our retail products, improving the retail financial services and strengthening the development of liability business in County Areas, the retail deposits recorded a steady growth. At 31 December 2013, the balance of domestic retail deposits reached RMB6,923,647 million, representing an increase of RMB501,771 million over the end of the previous year.

Bank Cards

As of the end of 2013, the number of debit cards issued amounted to 637 million, representing an increase of 86 million over the end of the previous year. The number of credit cards[1] issued amounted to 44.3881 million, and our dedicated credit card merchants amounted to 735 thousand. The transaction volume of credit cards amounted to RMB806,270 million, representing an increase of 27.8% compared to the previous year.

1 *The Bank credit cards including Credit Card and Quasi-credit Card.*

In 2013, we accelerated bank card innovation and enhanced our brand reputation of the Kins card. We also consolidated the cooperation and marketing synergies with key industries. The number of debit IC cards issued amounted to 137 million, representing an increase of 116 million compared to the end of the previous year, ranking first among all banks in China. We successfully launched a series of debit cards products, including the Southeast Asia travel card, ABC life-insurance card and online purchase card and brand promotion events, including "Happy Saturday" and "See the World". Focusing on enhancing the experience of our customers, a series of new products with high-value market features and brand culture was introduced. Among which, the number of QQ card issued exceeded 2 million within one year after its launch due to its new graphic design and appealing services and functions which attracted young customers. The Enjoy World Travel Card with features of "No Charge for Currency Exchange Around the World" and "Maximum of 7% of Cash Rebate for Offshore Expenditures " has drawn attention in both domestic and overseas markets.

Item	31 December 2013	31 December 2012	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	63,653.19	55,041.26	15.65
Number of credit cards issued (unit: 10,000)	3,970.98	3,243.99	22.41
Item	**2013**	**2012**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	55,180.60	37,998.88	45.22
Transaction volume for credit cards (RMB100 million)	7,981.28	6,221.81	28.28

Agency Distribution of Fund Products

In 2013, the continuous unstable domestic A share market accelerated the reform in the fund business. We strengthened our strategic cooperation with outstanding fund companies and put more efforts in the development of innovative products and IT systems to maintain a healthy and steady growth of agency distribution of fund products. In 2013, we distributed fund products with a total transaction volume of RMB275,623 million, representing an increase of RMB41,201 million or 17.6% over the previous year. We also acted as an agent for the issuance of 44 funds under our custody, representing an increase of 16 compared to previous year, and the proceeds amounted to RMB36,300 million.

Agency Sales of PRC Government Bonds

In 2013, we were approved as a pilot bank in the sale of electronic saving treasury bonds through online banking. During the reporting period, we acted as an agent for the issuance of 14 batches of saving treasury bonds, among which, four batches were certificated saving treasury bonds with actual sales of RMB14,213 million and 10 batches were electronic saving treasury bonds with actual sales of RMB24,863 million.

Private Banking Business

As of the end of 2013, we established private banking departments in 21 branches. The number of customers of our private banking business of the Bank reached 45,000 and the assets under custody amounted to RMB505,000 million.

During the reporting period, we provided comprehensive, tailor-made and confidential wealth management services for high-net-worth retail customers and further enhanced the professional service capability of our private banking business. We accelerated product innovation and cultivated independent research and development capability, which contributed to the rapid growth of private banking and enriched the range of our products. We also strengthened the integrated financial services for shareholders of listed companies, cross-broader financial services, financing services, information services and legal and tax consultation services. We also planned to launch new businesses such as family trust and high-end insurance to further strengthen our consultation services. In order to enhance our integrated customer services, we introduced five value-added services such as "butler services" in respect of travelling, healthcare, luxury living, leisure activities and social networking.

Treasury Operations

Money Market Activities

In 2013, the PBOC continued the prudent monetary policies and the interbank market liquidity experienced vigorous fluctuations. As the overall interest rate levels increased, the average overnight and average seven-day repurchase interest rates for the second half of the year increased by 141 basis points and 139 basis points, respectively, over the first half of the year. The PBOC retained long-term funds and released short-term funds through instruments, such as reverse repurchase and the standing lending facility (SLF), so as to hedge short-term market fluctuations and maintain the stability of market liquidity. In response to the complicated and dynamic environment of monetary market, the Bank enhanced the planning and management of funding comprehensively, in order to ensure the adequate liquidity of the Bank. In particular, under the tight its market liquidity in June, the Bank actively capitalized on our advantages as a large bank to increase the lending to provide liquidity support to the market. In 2013, our RMB-denominated financing transaction volume amounted to RMB10,499,450 million, including lending of RMB8,954,280 million and borrowing of RMB1,545,170 million.

The Bank continued to adopt a prudent strategy for short-term foreign currency investment, closely monitored changes in the credit quality of overseas counterparties and increased loans granted to overseas Chinese-invested enterprises.

Investment and Trading Activities

At 31 December 2013, our net investment securities and other financial assets amounted to RMB3,220,098 million, representing an increase of RMB363,950 million compared to the end of the previous year.

Trading Activities

In 2013, the yield in bond markets was more volatile. The Bank closely monitored the movement in bond markets and adjusted our management strategies of trading portfolios dynamically. We ranked first among the four major banks in China in terms of bond delivery volume (spot) in 2013 published by China Government Securities Depository Trust and Clearing Company. According to China Foreign Exchange Trading System, the Bank ranked the first among all market makers in the inter-bank bond market in 2013.

Banking Book Activities

In 2013, the yield of RMB-denominated bonds market experienced an increase since June, while the yield curve of bond markets was relatively flat. The Bank improved the analysis and judgments of future interest rate and its trend in bond markets and further pre-adjusted and fine-tuned its investment strategies, so as to enhance the flexibility of its investment portfolio. Through refining the structure of the investment portfolio, the yield of investment portfolio increased effectively.

In 2013, in response to the complicated international financial market, the Bank persisted in pursuing prudent strategies of foreign currency investment. The Bank further refined the investment portfolio structure and achieving higher investment gains while maintaining stringent risk control. At 31 December 2013, our foreign bonds investment for our own account amounted to RMB68,186 million.

Treasury Transactions on behalf of Customers

The Bank endeavored to establish a 24-hour worldwide fund transaction system and enrich product line of treasury transactions on behalf of customers, so as to enhance the competitive advantage of its treasury transactions on behalf of customers business. Seizing strategic opportunities brought by the internationalization of Renminbi, the Bank enriched the selections of currencies for RMB-FX transactions and promoted its listed trading in regions using non-reserve currency. Aiming to fulfill different demands of risk prevention, the Bank strived to introduce new derivative instruments for RMB-FX transaction and enhance products portfolio innovation of foreign currency transaction business. In 2013, the transaction volume of our RMB exchange settlement on behalf of customers reached USD292,033 million, and that of foreign exchange trading on behalf of customers amounted to USD13,347 million. In 2013, we won various awards in the inter-bank foreign exchange market, including the "Best Market Maker", "Best Spot Market Maker", "Best Spot Transaction", "Best Currency Swap Transaction", "Best Market Maker for Outright Monetary Transactions", "Best Market Maker on Back-end Support" and "Best Option Member".

Wealth Management

Retail Wealth Management

In order to satisfy increasing demand for wealth management from retail investors, the Bank promoted innovations in wealth management products and sales models. In 2013, we issued retail wealth management products of RMB4,095,900 million. At 31 December 2013, the balance of our retail wealth management products amounted to RMB583,621 million and our market share further increased.

In 2013, the Bank further enriched its wealth management product lines. In addition to the existing open non-capital preservation products, we developed and introduced an open capital preservation product "Ben Li Feng — Every Day Return". Targeting mid-to high-end customers, we developed and introduced yield tiered wealth management products. We also introduced innovative-product-linked banking wealth management plans and index-linked combination products.

In 2013, the Bank was awarded the "Best Wealth Management Product of the Year" by Puyi Fortune Management Forum. The Bank was awarded the "Best Innovative Product of the Best Wealth Management in China" by Lujiazui Institute of Chinese Academy of Social Science. Moreover, the Bank was granted the "Best Wealth Management Product in 2012" by *Shanghai Securities News* and the "Best Wealth Management Product in 2013" by *Money Week*.

Corporate Wealth Management

In 2013, we issued corporate wealth management products of RMB1,534,100 million. At 31 December 2013, the balance of our corporate wealth management products amounted to RMB266,090 million. Our products such as "An Xin Kuai Xian" open-ended series products, "Ben Li Feng" corporate series products, "An Xin De Li" corporate series products, "Hui Li Feng" corporate series products and "KaiYang" equity series products gained positive feedback from customers for their stable yields and flexible maturities. The number of contracted customers for wealth management further increased.

Accounting and management of off-balance sheet wealth management products

The accounting and management of the off-balance sheet wealth management products of the Bank were in compliance with both accounting standards and relevant regulations. Funds from our off-balance sheet wealth management products were all under custody. We prepared separate operating reports for each of the asset portfolios. We continued to improve the investment management of off-balance sheet wealth management products, properly designated the maturity structure of their assets and liabilities, and imposed strict measures to manage market risk.

In 2013, we issued various off-balance sheet wealth management products in an aggregate amount of RMB3,713,400 million. As of 31 December 2013, the balance of our off-balance sheet wealth management products amounted to RMB412,190 million. All of the off-balance sheet wealth management products issued and redeemed achieved the expected yield. Currently, off-balance sheet management products which have not yet matured are performing normally.

Precious Metal Business

Due to the recovery of the global economy and the expectation on the U.S. Federal Reserve to exit from the quantitative easing monetary policy, the prices of precious metal dropped dramatically in 2013, leading to a rapid growth in the domestic demand for physical precious metals. As the major precious metal market making bank in the PRC, the Bank provided sufficient liquidity of precious metal market and fulfilled the demand of customers for precious metal trading, investment and hedging through importing gold, leasing gold and trading physical gold in the Shanghai Gold Exchange, the Shanghai Futures Exchange and the London precious metals market. In 2013, the Bank traded 722.11 tons of gold and 12,433.9 tons of silver for our own account and on behalf of customers, representing an increase of 60.1% and 317.8%, respectively, compared to the previous year. The income of the precious metal business was RMB2,125 million, representing an increase of 102.19% compared to the previous year. The Bank steadily conducted precious metal leasing and hedging businesses and promoted the sales of physical precious metals. The balance of the precious metal leasing business and the hedging business increased by 257%, compared to the end of the previous year. The sales volume of the physical precious metals increased by 82.8% compared to the previous year.

The precious metal business of the Bank offers wide range of services, including "Chuan Shi Zhi Bao" for the sales of physical precious metal, "Cun Jin Tong", trading in Shanghai Gold Exchange on behalf of personal customers, personal account for precious metal transaction, trading in Shanghai Gold Exchange on behalf of corporate customers, gold leasing business and derivatives trading on behalf of corporate customers. In 2013, the Bank won the Outstanding Member Award, the Outstanding Award of Statistics and Supervision on Gold Market by the Shanghai Gold Exchange and "Enterprises with Top 10 Gold Trading Volumes" by the China Gold Association.

Distribution Channels

Branch Outlets

In 2013, aiming at controlling the number of outlets, stabilizing township outlets, adjusting county-level outlets and optimizing urban outlets, we continued to refine our branch outlets layout, implement standardized transformation and start the "Wisdom Outlet" construction of pilot, to accelerate the outlet transformation. We completed the relocation of 1,200 branch outlets and standardized branch outlets amounted to 80% of our total branch outlets in 2013. We also had 18,786 branch outlets with specific functional zones, representing an increase of 1,478 compared to the end of the previous year.

Electronic Banking

With our innovative development strategy for electronic banking, we aimed to enhance the customer experience. We integrated latest achievements in information technology to build a service system covering five major online financial services, namely Internet finance, telephone banking, mobile banking, self-service banking and E-commerce banking. In order to satisfy the diversified financial needs of our customers, we provided a broad range of products, easy operation, comprehensive after-sales services and effective technology protection. Efforts were made to accelerate the innovation of the Internet finance for grasping its emerging development opportunities. As at the end of 2013, the total number of our electronic banking customers was 512 million, representing an increase of 32.3% compared to the end of the previous year. We completed 44,595 million electronic transactions in 2013, representing an increase of 40.9% over the previous year. Our efforts were recognized by numerous awards, including "Top Ten Innovative Cases of the China Internet Banking Award" and the "Best Online Merchant in the Banking Industry in 2013", the brand value of our electronic banking had an significant increase.

Internet Banking

We continued to foster the innovation of retail Internet banking products and expedited the synergistic development of the offline and online businesses to improve efficiency and customer experience. In 2013, we upgraded versions of the retail Internet banking system several times, launched the integrated marketing system for online retail loan, and rolled out services including Western Union money transfer, cross-border telegraphic transfer and precious metal trading. We optimized customer experience in using e-Banking services. As of the end of 2013, we had 110.88 million retail Internet banking customers with the transaction volume in 2013 amounting to RMB92.83 trillion, representing an increase of 27.8% over the previous year.

We continued to refine and upgrade our corporate Internet banking system, comprising the Zhixin Version, Zhirui Version and Zhibo Version. Upgrades for the system were launched. We also launched businesses including foreign exchange remittance, financing and multi-tier account books to improve our corporate Internet banking and financing services. Services such as large volume collection and payment transfer were launched to diversify our customer services. As at the end of 2013, we had approximately 2,553,800 corporate Internet banking customers and the total transaction volume of our corporate Internet banking was RMB77.37 trillion in 2013, representing an increase of 42.6% compared to the previous year.

We continued to build our portal websites by introducing applications on mobile devices, including smart phone and laptop. We also launched functions such as "Online Application for Legal Entity Loans" and "Online Application for Retail Loan" to extend the coverage of our portal websites. During the reporting period, the click-through rate of our portal websites exceeded 5.27 billion, representing an increase of 19.8% over the previous year and ranking top among banks in China.

Telephone Banking

In 2013, we accelerated the establishment of our centralized customer service system. In order to expand our customer service channel, we explored channels such as online customer services, Weibo customer services and Wechat customer services. We also optimized functions including the synchronized the manual lost card report hotline and the private banking customer services. Customer satisfaction survey was also conducted. During the reporting period, we received 410 million calls via our 95599 customer service centre, 67.06 million calls via our manual customer service and the call completion rate was 89.1%, which represented a significant improvement in customer satisfaction.

Mobile Banking

In 2013, we established an open platform for mobile banking and focused on developing four major product series of mobile customer services, explorers, smart chips and short messages to fully capitalize on each channel. The iPad version and WP version of mobile customer services were launched to further upgrade customer services. We also launched value-added services including lottery inquiry, outlet inquiry and hospital link. As of the end of 2013, our mobile banking Internet business had 82.97 million customers and the transaction volume amounted to RMB1.55 trillion in 2013, representing an increase of RMB1.13 trillion compared to the previous year. We also had 197 million customers contracted for our mobile banking SMS services with a total of 9,360 million short messages sent to the contracted customers in 2013.

Self-service Banking

In 2013, we accelerated the establishment of our self-service platform to enhance operation efficiency and risk control. We upgraded various services, including the application approval procedures for financial IC cards through the terminal system. We launched a trial upgraded version of the Zhifutong system for the electronic approval procedure, differentiated charges and refined marketing. We also promoted the self-service of inter-bank transfers and developed easy self-service terminal. As at the end of 2013, we had 98,545 cash-related self-service banking facilities, ranking top among banks in China. The total transaction volume in 2013 amounted to RMB13.42 trillion, representing an increase of 53.0% compared to the previous year. We had 44,285 self-service terminal facilities, with a total transaction volume of RMB6.57 trillion in 2013. We had 2.99 million Zhifutong machines, with a total transaction volume of RMB8.63 trillion in of 2013.

E-Commerce Banking

In 2013, we strived to build the "e-commerce Steward", an electronic commercial service platform, to provide customized integrated commercial and financial services covering supply chain management, multi-channel settlement, online and offline synergistic development and cloud service to enterprises. We expedited the establishment of the new e-commerce platforms, such as the payment platform for "e-commerce Payment" and the Internet financing platform. In order to optimize our payment platform of the online trading market, we introduced functions including invitation and submission of tender, payment agent and payment record. We also introduced K-code payment to owners to cater for the need of diversified payment channels from the owners. As at the end of 2013, our merchant's network had a total of 8,212 members with an e-commerce transaction volume of RMB828,000 million in 2013, representing an increase of 26.4% compared to the previous year.

Internet Finance

We extensively integrated the Internet know-how with our existing businesses, technology and customer base in order to develop innovative Internet finance and technology application. We improved the product research system, operation support system and online risk control system so as to gradually adopt online whole-process operation management. We strived to build a first-class modern commercial bank through the synergistic development of online and offline businesses with the perfect integration of virtual and real operations.

In respect of the key businesses of the Internet finance, we launched Internet finance proposals including "Innovation and Intelligence" for Internet finance, "Navigation" for e-commerce banking, "Palm to Win" for mobile banking and "Benefit to All" for social banking. Our focus was those key projects set up in the major aspects of Internet finance, such as the structural and process optimization, satisfaction enhancement, application extension, data analysis and value-added services. We pushed forward Internet finance to transfer from fundamental development stage to innovative development stage by achieving significant breakthrough in the core aspects.

In respect of Internet payment, we established various verification methods in different channels, including Internet, telephone and facilities such as USBKEY, K-order and K-code. These verification methods are applicable to the Internet payment system of different accounts, including debit cards, credit cards and international cards, with features of real-time, debit and credit payment.

In respect of Internet wealth management, we established an integrated wealth management platform, ABC Mall/ABC Store, comprising financial supermarket, financial boutique and financial store, to connect the wealth management channels of websites and Internet banking. It is also a one-stop wealth management system integrating service inquiry, product promotion, financial analysis and investment advice into one.

In respect of financing, we established a pilot platform for promoting e-commerce financing. Credit assessment and financing services were based on data from upstream and downstream transactions and the trading market of e-commerce enterprises. We also introduced various loan products for Internet financing, including self-service revolving loan for small enterprises, personal self-service revolving loan, "Ka Jie Dai", "Self-Service Revolving Credit Facilities" and financing products for supply chain of Shanghai Baosteel.

In respect of Internet shopping, leveraging the service platform of "e-commerce Butler", we established a supply-chain sales platform in the form of a cloud custody service to facilitate the shift to e-commerce for our existing corporate customers. We capitalized on online and offline resources for the debut of ABC Mall, which is characterized by its open structure and a combination of well-known brands and is linked with financial web portals with over 5,000 million visits per year.

Overseas Business and Diversified Operation

Overseas Business

In 2013, we steadily implemented the strategy of engaging in the international market, and further refined the layout of overseas institutions. The scope of business, scale of operation, cross-border financial service capability and profitability of our overseas institutions were continuously enhanced. During the reporting period, our Dubai branch, Tokyo branch and Frankfurt branch commenced operation, respectively. The application for the establishment of Hanoi branch, Luxembourg branch and Vancouver branch[1] was approved by the CBRC. The application for the establishment of Sydney branch and Moscow branch were progressing as expected with milestone results. As of the end of 2013, we had established 13 overseas institutions in 11 countries and regions, forming an overseas network covering Asia, Europe, North America and Oceania. Total assets of our overseas branches and subsidiaries reached USD58,093 million, net profit for 2013 was USD362 million.

Major Subsidiaries

Currently, we have established an integrated business platform consisting of funds, securities and investment banking, financial leasing and insurance, which effectively promoted the implementation of our strategy of integrated business operations.

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 and its registered capital was RMB200 million, 51.67% of which was held by the Bank. The principal scope of business is fund raising, sales of fund and asset management, and the major products include stock funds, mixed funds, bond funds and monetary market funds.

At 31 December 2013, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB445 million and RMB381 million, respectively. It recorded a net profit of RMB86 million for 2013.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009. The registered capital of ABC International Holdings Limited was HKD2.913 billion, 100% of which was held by the Bank. The major subsidiaries of ABC International Holdings Limited include ABCI Capital Limited, ABCI Investment Management Limited, ABCI Asset Management Limited, ABCI Securities Company Limited, Smart Huge Investments Limited, ABCI Insurance Company Limited and ABCI China Investment Corporation Limited. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services including sponsorship and underwriting for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation in Hong Kong, and is also eligible to engage in various capital market businesses in mainland, except as the sponsor of A-share listing.

1 *The application for the establishment of Vancouver branch was approved by the CBRC on 9 January 2014.*

At 31 December 2013, the total assets and net assets of ABC International Holdings Limited amounted to HKD6,045 million and HKD3,372 million, respectively. It recorded a net profit of HKD240 million for 2013.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 and its registered capital was RMB2 billion, 100% of which was held by the Bank. The principal scope of business includes financial leasing, acceptance of lease deposit from lessee, transfer of lease receivables to commercial banks, issuance of financial bond with approval, interbank lending, borrowing from financial institutions, overseas foreign exchange loan, disposal of leased items, financial consultation and other business approved by the CBRC.

At 31 December 2013, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB33,716 million and RMB2,938 million, respectively. It recorded a net profit of RMB463 million for 2013.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2,033 million, 51% of which was held by the Bank. ABC Life Insurance Co., Ltd. primarily engages in the insurance business including life insurance, health insurance and accident insurance; reinsurance business for the abovementioned business; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the China Insurance Regulatory Commission.

At 31 December 2013, ABC Life Insurance Co., Ltd. had total assets of RMB34,242 million and net assets of RMB1,637 million with a solvency adequacy ratio of 316% and the total premium for the year was RMB7,231 million.

Agricultural Bank of China (UK) Limited

Agricultural Bank of China (UK) Limited is a wholly-owned subsidiary of the Bank incorporated in the United Kingdom, with registered capital of USD100 million. It engages in the corporate financing business, including corporate deposits, bilateral loans, syndicated loans, trade financing, international settlement, foreign exchange and derivatives.

At 31 December 2013, Agricultural Bank of China (UK) Limited had total assets of USD916 million and the net profit for 2013 was USD2.0516 million.

China Agricultural Finance Co., Ltd.

The registered capital of China Agricultural Finance Co., Ltd. was HKD588.79 million, 100% of which was held by the Bank.

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province with registered capital of RMB20.00 million, 50% of which was held by the Bank. At 31 December 2013, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB206 million, loans of RMB118 million, deposits of RMB160 million and net assets of RMB42 million and the net profit for the year was RMB7.1801 million.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region with registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 31 December 2013, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB176 million, loans of RMB113 million, deposits of RMB124 million and net assets of RMB30 million and the net profit for the year was RMB2.0331 million.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yanan City, Shaanxi Province with registered capital of RMB20.00 million, 51% of which was held by the Bank. At 31 December 2013, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB220 million, loans of RMB87 million, deposits of RMB130 million and net assets of RMB31 million and the net profit for the year was RMB6.0903 million.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province with registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 31 December 2013, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB241 million, loans of RMB151 million, deposits of RMB182 million and net assets of RMB39 million and the net profit for the year was RMB2.1156 million.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in June 2012 in Yongkang City, Jinhua City, Zhejiang Province with registered capital of RMB210 million, 51% of which was held by the Bank. At 31 December 2013, ABC Zhejiang Yongkang Rural Bank Limited Liability Company had total assets of RMB390 million, loans of RMB337 million, deposits of RMB168 million and net assets of RMB218 million and the net profit for the year was RMB10.0621 million.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in June 2012 in Tong'an District, Xiamen City, Fujian Province with registered capital of RMB100 million, 51% of which was held by the Bank. At 31 December 2013, ABC Xiamen Tong'an Rural Bank Limited Liability Company had total assets of RMB377 million, loans of RMB178 million, deposits of RMB271 million and net assets of RMB103 million and the net profit for the year was RMB4.3741 million.

Information Technology

During the reporting period, we implemented the "technology first" strategy, focused on the research and development of IT products, strengthened the management of information systems operating, continued to enhance the level of IT governance, to provide a solid technology support to the development of our businesses. In 2013, nine technology achievements of the Bank were awarded the "Banking Technology Development Award" by the PBOC and the Bank was granted 30 patent licenses by the State Intellectual Property Office.

We have launched a number of key IT projects to constantly improve our financial services and delicacy business management. Leveraging the business characteristics of our Bank, we promoted the use of our IC cards by cooperating with entities in consumption, social insurance and commercial services in IC card issue. More channels for mobile banking were established and our mobile banking, corporate Internet banking and retail Internet banking were provided with more functions. The WeChat marketing platform for credit cards and financial product online store were introduced to secure customers. With the launch of our first "Wisdom Outlet", we achieved online and offline coordination through service systems such as VTM remote banking and "Yi Gui Tong" (pre-filled service), and improved the "last kilometre" of connection with customers. We supported the globalization strategy by completing the integration of core overseas business systems. We also successfully accessed the core business systems of overseas institutions. The launch of online USD settlement service supported the USD settlement business of our New York branch. Various systems were installed to improve our management of operation, finance, risk, assets and liabilities, including the second generation of centralized operation platform, centralized operation management platform, phase II of online account management, risk management system 2.0 and the enhanced asset-liability management system.

We further promoted the full integration of operation system, fully implemented the responsibility system for production safety, improved the production run evaluation mechanism, and production operations was further improved in terms of standardization, automation and intelligence. We continued to integrate and improve our IT infrastructure by completing the compliance project related to server rooms of our branches and the upgrade of core systems and upgrading the network of the data centre in Beijing. The delicacy management of our IT infrastructure was significantly improved. In 2013, the average daily transaction volume of our core production system increased by 30% compared to the previous year. With the daily transaction volume of our core business system reached new heights, the efficiency, quality and stability of our production was continuously improved.

We continued to improve IT management, formulating the 2013–2015 IT development plan, to ensure that IT development plan in line with the Bank's development strategy. We established a pricing model and verification system to improve the application of information technology in cost delicacy management. The IT management department and the software R&D center of the Head Office were certified to the ISO27001 standard for IT safety management system. Our IT risk management system has become further improved.

BoEing —
A New Generation of Core Business System

BoEing is a new generation of core business system developed by the Bank. As compared with the ABIS integrated business system previously used, BoEing is stronger in the following areas: to focus the marketing efforts on target customers, to flexibly response to market changes, to conduct precise performance appraisal, to effectively control cost and to manage a wide range of risks. It serves as a basic platform to support and drive our reform and development.

BoEing was initially developed in 2009 and the first phase of BoEing was put into operation in December 2012. The second and third phases were launched in 2013. Currently, BoEing covers more than 10,000 products across six product lines, including corporate and retail loans, corporate deposits, cash management, investment and wealth management, intra-bank transfer and trade finance. It is applied to approximately 83% of our products and services and is integrated with more than 70% of other systems.

BoEing supported various products and services by integrating leading technical and business systems and is an important foundation for our business operation and management. BoEing, based on flexible price parameter matching and account settings, adapted to the demand of interest liberalization and enhanced our product innovation capacity. Under the philosophy of "product fabrication", BoEing can determine different interest rates and fee rates of products in accordance with the types, credit limits and locations of customers. BoEing supports performance assessment and management accounting preparation. It records transaction and account data in a comprehensive and standardized manner and is able to measure various operation data, including profit contributions and costs of operating entities and operating units to facilitate the establishment of management accounting system. BoEing enable the establishment of a centralized customer profile by collecting comprehensive customer data. The BoEing allows immediate access to customers information, including their deposits, loans and wealth management accounts so as to accurately measure customers' contributions and our costs as well as the overall value of customers and products. BoEing centralizes the exchange of RMB and foreign currencies. It also centralizes the handling of foreign currency deposits and exchange services on a 24/7 basis. BoEing standardized data measurement for easy comparison. During the launch of BoEing, the Bank significantly improved the quality of its data base through data clearing and migration. A standard data platform for our core business was established. BoEing integrates various systems under an interface to improve the teller experience, practicability and efficiency. BoEing reduces operation risks by enhancing the automated control of business processes. It identifies and eliminates the risks in operation processes and strengthens the automated control. BoEing strengthens the accounting control and enhances our delicacy financial management. BoEing operates independently from IFAR (Integrated Financial Accounting & Reporting System) in transaction and accounting. BoEing focuses on improving our customer services and product innovation as well as providing meaningful data for management, while IFAR supports on accounting.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, we focused on accelerating market-oriented human resources reform. The established organizational structure to adapt the management and control of the Group and classified operation, strengthened classified management of overseas institutions and subsidiaries to improve our operating efficiency. We optimized the organizational structure for management at branch outlets and staff promotion mechanism, reformed the staff remuneration management system and optimized the incentive system for managers of branch outlets to reinforce our emphasis on staff in branch outlets and boost their motivation. We also expedited the establishment of human resources operation system, the implementation of phase I of the new e-HR system was commenced and design and development of phase II were completed.

Development and Cultivation of Human Resources

During the reporting period, we refined the manager selection and training mechanism to establish an excellent operations and management team. The selection and appointment system of managers was improved. We launched a new communication session for managers in the Head Office, branches and provincial branch outlets, conducted stringent management and supervision of all managers, strengthened resignation management and improved the appraisal and evaluation system of managers.

We continued to expand our team building of specific talents and staff and optimized the structure of the staff team to enhance our management efficiency. We estimated the total number of staff of the Bank for the next three years rationally and implemented a cost-effective staff management policy. We implemented a diversified recruitment policy and employees recruited from channels such as campus recruitment, the recruitment of university graduates who had been working as "village officials" after graduation and contracted counter officers were assigned to our branch outlets. We filled the managerial vacancies in branch outlets and front desks by strictly controlling the size of managers in different tiers of branches. We expedited selection and training of talents, expanded recruitment channels and filled the managerial vacancies through social recruitment. We also recruited professional talents and provided career prospects for them. Young talent development program in the County Areas and management trainee program at the Head Office were conducted to support business development of branch outlets.

We strengthened the training system by adhering to the principles of training on needs and emphasising on effectiveness. We formally established the Agricultural Banking University, which provided a new platform for the building of a learning enterprise and enhancement of staff quality and self-development. Trainings at different levels and types were implemented through the Agricultural Banking University, the two-months' systematic learnership training programmes for different positions was firstly implemented and over 2,100 professionals in various fields were participated. The Head Office held 81 training sessions directly for over 5,100 management members. Trainings for key positions such as person-in-charge of outlets and middle-aged employees were launched with more than 166,000 participants in total. We carried out qualification examinations through the online academy of the Agricultural Banking University for the first time and a total of 123,000 persons took the examinations. We continued to conduct special training programs such as "ABC Lecture" and trainings to support branches in Tibet and Xinjiang.

Management of Remuneration and Benefit

During the reporting period, we continued to improve the remuneration management system which strengthened the linkage of remuneration with economic value added and operation transformation, and remuneration management of the subsidiaries and senior management. We also increased remuneration incentives to key positions and positions with shortage of qualified talent. The remuneration allocation of the internal incentive and external competitiveness were improved. More resources were allocated to the branch outlets and differential allowance system was set up to encourage our employees to serve the branch outlets for the long run. We improved the management mechanism for Annuity Scheme and Retirement Benefits Fund and accelerated the social management of Annuity Scheme. We continued to optimize the allocation mechanism of Retirement Benefits Fund and strengthened investment management of Annuity Scheme to improve long-term investment return. The expenses of retired staff of the Bank were borne by the Retirement Benefits Fund and Annuity Scheme.

Information on Employees

We had 478,980 employees (and additional contracted employees of 34,770) at the end of 2013, representing an increase of 17,880 persons over the end of the previous year. Among our employees, 5,214 persons were employed at our major domestic subsidiaries and 504 persons were local employees at our overseas institutions.

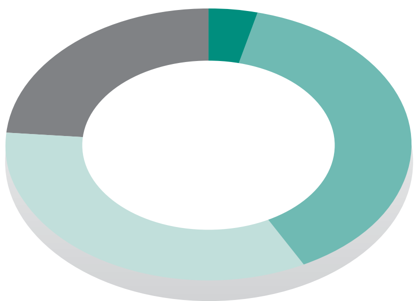
Distribution of Employees of the Bank by Regions

	31 December 2013	
	Number of Employees	**Percentage (%)**
Domestic Branch Outlets	473,262	98.8
Head Office	7,790	1.6
Yangtze River Delta	60,439	12.6
Pearl River Delta	52,175	10.9
Bohai Rim	63,915	13.3
Central China	105,660	22.1
Northeastern China	54,251	11.3
Western China	129,032	27.0
Major Domestic Subsidiaries	5,214	1.1
Overseas Institutions	504	0.1
Total	**478,980**	**100.0**

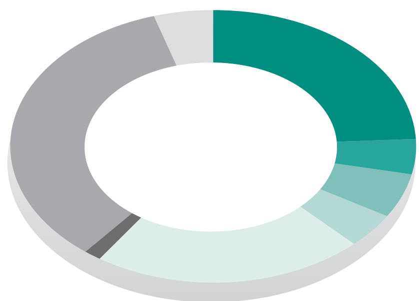
Employees of the Bank by Education Background

	31 December 2013	
	Number of Employees	**Percentage (%)**
Doctorate's Degree	435	0.1
Master's Degree	19,006	4.0
Bachelor's Degree	183,034	38.2
Associate Degree and Vocational School	164,200	34.3
Below College	112,305	23.4
Total	**478,980**	**100.0**

Distribution Chart of Employees of the Bank by Education Background



Distribution Chart of Employees of the Bank by Departments



Employees of the Bank by Departments

	31 December 2013	
	Number of Employees	Percentage (%)
Management	116,983	24.4
Risk management	19,725	4.1
Finance	24,684	5.2
Administration	19,782	4.1
Sales	104,692	21.9
Trading	173	—
Information technology	6,530	1.4
Technicians	163,578	34.2
Others	22,833	4.7
Total	**478,980**	**100.0**

Age of Employees of the Bank

	31 December 2013	
	Number of Employees	Percentage (%)
30 or below	87,895	18.4
31–40	94,345	19.7
41–50	231,029	48.2
51 or above	65,711	13.7
Total	**478,980**	**100.0**

Management of Branch Outlets

Domestic Branch Outlets

As at the end of 2013, we had 23,547 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized units managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 351 tier-2 branches (including business departments of branches in provinces), 3,506 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), and 19,648 other establishments.

Number of Domestic Branch Outlets by Regions

	31 December 2013	
	Number of Domestic Branch Outlet	Percentage (%)
Head Office[1]	8	—
Yangtze River Delta	3,102	13.2
Pearl River Delta	2,575	10.9
Bohai Rim	3,344	14.2
Central China	5,233	22.2
Northeastern China	2,247	9.6
Western China	7,038	29.9
Total of Domestic Branch Outlets	**23,547**	**100.0**

Note: 1. *Including Head Office, Business Department Dealing with Discounted Bills, Big Client Department, Private Banking Department, Credit Card Center, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.*

Overseas Branch Outlets

As at the end of 2013, we had seven overseas branches and three overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai, Tokyo and Frankfurt branches and the Sydney, Vancouver and Hanoi representative offices.

Major Subsidiaries

As at the end of 2013, we had nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd. and six rural bank limited liability companies (ABC Hubei Hanchuan rural bank, ABC Hexigten rural bank, ABC Ansai rural bank, ABC Jixi rural bank, ABC Xiamen Tong'an rural bank and ABC Zhejiang Yongkang rural bank), and three major overseas subsidiaries, including Agricultural Bank of China (UK) Limited, ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

Please refer to "Discussion and Analysis — Business Review — Overseas Business and Diversified Operation" for details.

County Area Banking Business

We provided customers in the County Areas with a broad range of financial services through all branch outlets in the County Areas in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business". During the reporting period, we facilitated the reformation and innovation and business transformation of these operations. We also enhanced product innovation, focused our efforts on capability to serve for County Areas and continued to consolidate our leadership and dominant position in the County Areas.

Mechanism Reform

Product Research and Development

We improved the entry threshold, guarantee requirement and terms of loans of our credit products such as small loans to rural households and retail loans for rural production and operation. We introduced new credit products such as agricultural industrial chain loans to rural households, loans to large rural households (family farms) and loans to farmers' cooperatives. Our branches introduced credit products relating to rural property rights reform according to local conditions such as loans secured by land contractual operating right, loans secured by land income and loans for rural land circulating. In order to fulfill the capital needs of new urbanization, we introduced innovative loans for urbanization construction, loans for new rural community construction and loans for the decoration of rural residential buildings. We refined our rural banking service channels and developed various featured products for County Areas, including easy transfer for rural household and payment through mobile phone in rural areas.

Credit Management

We further refined the credit policies for agriculture-related industries and regions and formulated credit policies for four industries, namely feed manufacturing, edible vegetable oil processing, pesticide manufacturing and fertilizer manufacturing, as well as for three agricultural produce regions with advantages, namely cotton, apple and flower. We also formulated credit policy guidelines for urbanization construction and implemented customer list management. Moreover, we also put more efforts into supporting new agricultural operating organizations and formulated administrative measures on loans to farmers' cooperatives and loans to large rural households (family farms). We formulated administrative measures on collateral related to forest rights. Many branches implemented specific security and guarantee policies of County Areas, including privately-owned vessels, state-owned lands, land contractual operating rights of rural households and rural residential buildings.

Risk Management

Balancing the delegation of decision-making power and risk control, we adjusted the authorization to sub-branches and enhanced the risk control capability to credit business. We carried out risk evaluation of County Area credit products and controlled risks of products by adjusting authorization and improving the entry threshold. We established sample library for major customers, analyzed industry risks prospectively and monitored the potential impacts on the risk level of agriculture-related customers brought by external emergencies and provided early warnings in a timely manner. We improved the management of loans to rural households affected by natural disasters and formulated specific plans for risk disposal relating to loans affected by natural disasters. We conducted inspections on the compliance of loans in County Areas with the related policies and specific management of risks relating to loans to rural households.

Fund and Capital Management

We improved the value-oriented credit resource allocation mechanism for County Areas. We allocated separate operating capital for the County Area Banking Division, and carried out separate economic capital budget management and performance evaluations. Moreover, we improved centralized fund management for County Areas and implemented a program of applying differential deposit reserve ratios in the County Area Banking Division on a pilot basis approved by the PBOC so as to further improve the efficiency of the use of funding in County Areas. In addition, we adopted differentiated pricing authorization for deposits and loans in County Areas based on the characteristics of County Area Banking Business.

Performance Management

We developed performance appraisal plans for the County Area Banking sub-Division and major sub-branches in County Areas, as well as grading appraisal plans for sub-branches in County Areas for 2013, respectively. We also increased the weights of economic value added (EVA), strengthened the appraisal of risk and compliance and focused on appraisal of major businesses in County Areas, such as deposits business, "Projects with Thousands and Hundreds of Units" and "Huinongtong". The appraisal indicators for the County Area Banking sub-Division were broken down into functional departments and middle-and-back offices so as to make a concerted effort to serve "Sannong". We guided and directed the construction of performance appraisal mechanism of sub-branches and outlets in County Areas and created administrative measures on performance appraisal.

Human Resources Management

We implemented a separate recruitment program in County Areas and strictly monitored the recruitment process. We also modified the recruitment approach and implemented an easing and differentiated recruitment policy in County Areas. We further enhance the recruitment and cultivation of university graduates who had been working as "village officials" after graduation, launched young talent development program in County Areas and accelerated the establishment of a young talent team to serve "Sannong". We adopted specific salary incentive schemes in major County Area sub-branches and implemented institution upgrade and presidents' rank upgrade in sub-branches in County Areas. We gradually held rotation trainings for presidents of sub-branches in County Areas, organized special training programs for talents in County Areas and special training programs for employees relating to "Sannong" services.

County Area Corporate Banking Business

During the reporting period, we promoted the transformation of County Area corporate banking business to further consolidate our competitive advantages. Leveraging on the opportunities arising from the synchronous development of industrialization, informatization, urbanization and agricultural modernization, we further carried out the "Projects with Thousands or Hundreds of Units" to extend and improve the integrated service model for "Sannong". We also strengthened our financial services to support agricultural modernization and rural urbanization as well as Small- and Medium-sized Enterprises in County Areas, rural commercial circulation industry, county tourist industry and the people's livelihood in County Areas. In addition, we were committed to developing high-quality customers in County Areas through synergistic marketing and premium products portfolios, and continued to strengthen risk management and control.

In respect of product and service innovation, we further improved and promoted the integrated service models for "Sannong" driven by industrial leading companies and tourist industry, and summarized and refined the service models for urbanization, poverty alleviation through financial service and other businesses. Various special products in County Areas, such as loans for tourism development projects, pledge of receivable financing service and industrial cluster joint guarantee credit service for Small-and Medium-sized Enterprises in County Areas were further optimized. Furthermore, we established supply chain financing business for the agriculture industry, developed an exclusive product portfolio for urbanization and encouraged our branches to develop featured products for different regions.

We improved marketing management for core customers by establishing a list of the core customers served by our rural industries banking business and regularly updating and improving solutions of integrated financial services, credit approval and post-disbursement management. We launched the marketing strategy of "head office to head office" for industrial leading customers, set up a specialized marketing and customer service team and maintained regular communication between the Bank and the corporations to strengthen the integrated and synergistic marketing, as well as consolidate the cooperation. We also organized the 4th listing seminar for high-end customers in County Areas, introducing them to comprehensive services including investment banking and financial leasing in order to cater to their diversified financial needs and further reinforce our competitive advantage in the high-end customer base in County Areas.

At the end of 2013, the balance of corporate deposits for County Areas was RMB1,476,039 million, representing an increase of RMB70,429 million over the end of the previous year. Loans for corporate customers (excluding discounted bills) in County Areas were RMB1,558,644 million, representing an increase of RMB158,508 million over the end of the previous year.

County Area Retail Banking Business

During the reporting period, we further improved of "Kins Huinongtong" project, facilitated the business transformation of loans to rural households and added new features to Huinong card. As a result, market competitiveness of the County Area retail banking business was enhanced and the rapid and healthy development of the County Area retail banking business was achieved.

The business transformation of loans to rural households achieved remarkable results. The proportion of loans secured by mortgages, customers with "Good" or above grades and retail loans for rural production and operation continued to increase.

Huinong Cards and agriculture-related fund agency business continued to develop steadily. As of the end of 2013, we issued a total of 140 million Huinong Cards, representing an increase of 7.17 million cards compared to the end of the previous year. We secured the agency business of 1,146 new rural insurance projects, 782 new rural cooperative medical insurance projects, and 2,479 agriculture-related fiscal subsidies and public utility projects, representing an increase of 1,987 compared to the end of the previous year. The balance of agency business accounts amounted to RMB80.8 billion, representing an increase of RMB26.6 billion compared to the end of the previous year.

At the end of 2013, the balance of deposits and loans for our County Area Retail Banking Business amounted to RMB3,338,632 million and RMB767,047 million, representing an increase of RMB304,210 million and RMB140,481 million, respectively, compared to the end of the previous year.

Financial Position

Assets and Liabilities

At 31 December 2013, the total assets of the County Area Banking Business reached RMB5,477,335 million, representing an increase of 10.0% over the end of the previous year. Total loans and advances to customers reached RMB2,348,034 million, representing an increase of 14.6% over the end of the previous year, which was 2.3 percentage points higher than that of the Bank-wide. Balance of deposits from customers reached RMB4,959,437 million, representing an increase of 8.8% over the end of the previous year.

The table below sets out the major items of assets and liabilities of the County Area Banking Business as of the dates indicated.

In millions of RMB, except for percentages

	31 December 2013		31 December 2012	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	2,348,034	—	2,049,217	—
Allowance for impairment losses on loans	(127,833)	—	(107,372)	—
Loans and advances to customers, net	2,220,201	40.5	1,941,845	39.0
Intra-bank balance[1]	2,819,633	51.5	2,686,346	53.9
Other assets	437,501	8.0	351,153	7.1
Total assets	**5,477,335**	**100.0**	**4,979,344**	**100.0**
Deposits from customers	4,959,437	95.5	4,557,316	96.3
Other liabilities	232,361	4.5	175,489	3.7
Total liabilities	**5,191,798**	**100.0**	**4,732,805**	**100.0**

Note: 1. Intra-bank balance refers to funds provided by our County Area Banking Business to other businesses within the Bank through internal funds transfers.

Profit

In 2013, the profit before tax of our County Area Banking Business increased by 21.2%, compared to 2012 to RMB77,246 million. The significant increase of the County Area Banking Business was primarily due to the expansion of deposits and loans in the county areas, the steady growth of fee and commission income and the year-to-year decrease of impairment losses of assets.

The table below sets out the major income items of the County Area Banking Business for the years indicated.

In millions of RMB, except for percentages

	2013	2012	Change	Growth Rate (%)
External interest income	144,389	131,796	12,593	9.6
Less: External interest expense	82,146	77,192	4,954	6.4
Interest income from intra-bank balance[1]	92,253	83,695	8,558	10.2
Net interest income	**154,496**	**138,299**	**16,197**	**11.7**
Net fee and commission income	29,215	26,734	2,481	9.3
Non-interest income	2,374	2,286	88	3.8
Operating income	**186,085**	**167,319**	**18,766**	**11.2**
Less: Operating expenses	84,944	77,516	7,428	9.6
Impairment losses of assets	23,895	26,087	(2,192)	(8.4)
Total profit before tax	**77,246**	**63,716**	**13,530**	**21.2**

Note: 1. Interest income from intra-bank balance represents interest income earned on funds provided by our County Area Banking Sub-Division to our other sub-division at Headquarters at internal funds transfer pricing, which is determined based on market interest rate.

Key Financial Indicators

In 2013, the return on average total assets of the County Area Banking Business was 1.15%, representing an increase of 10 basis points over the previous year. The interest spread between deposits and loans was 4.76%, which was 51 basis points higher than that of Bank-wide. At 31 December 2013, non-performing loan ratio of County Area Banking Business was 1.54%, representing a decrease of 0.12 percentage points over the previous year. The allowance to non-performing loans was 352.85% and the allowance to total loans was 5.44%.

The tables below set out the key financial indicators of our County Area Banking Business at the dates or for the years indicated.

Unit: %

Item	2013	2012
Return on average total assets	1.15	1.05
Average yield of loans	6.44	6.87
Average cost of deposits	1.68	1.76
Net fee and commission income to operating income	15.70	15.98
Cost-to-income ratio	40.96	41.75

Item	31 December 2013	31 December 2012
Loan-to-deposit ratio	47.34	44.97
Non-performing loan ratio	1.54	1.66
Allowance to non-performing loans	352.85	315.99
Allowance to total loans	5.44	5.24

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring and control of existing or potential risks in all aspects of business operation, processes and staff through the integration of elements of risk management including risk appetite, policies, organizations, tools and models, data systems and risk culture, so as to ensure effective risk management in decision making, implementation and supervision.

In 2013, we listed risk management as one program of our "three major management and three major reformations" scheme and strengthened the ideology of comprehensive risk management. Comprehensive risk management was extended to include on-and off-balance sheet risks, domestic and overseas risks as well as risks relating to the parent company and subsidiaries, which further expanded the coverage and improved the framework of our comprehensive risk management system. During the reporting period, we strived to promote the implementation of the *Capital Rules for Commercial Banks (Provisional)* and applied to the CBRC regarding the implementation of the advanced capital management methodology. The Board of Directors of the Bank reviewed and approved the Risk Management Plan for 2013 to 2015, which set forth a comprehensive arrangement for further improving the risk management system and enhancing credit risk, market risk, operational risk and other risk management in the next three years, as well as, defined the concepts, objectives, focuses and approach to risk management.

Risk Appetite

Risk appetite is a term that refers to the types and levels of risks acceptable to the Bank as determined by the Board of Directors, which depends on the expectations and constraints of our major stakeholders, external operating environment and the conditions of the Bank, in order to achieve strategic targets and effective risk management. The risk appetite statement and the administrative measures for risk appetite described the types and levels of risks acceptable to the Bank during the course of operations. It established the risk limitation, specified the basic principles for formulating various risk management policies and set up the general rules for the formulation, adjustment, management duties and implementation of risk appetite.

We maintain a prudent and innovative risk appetite. We are devoted to positioning ourselves as a first-class modern commercial bank, maintaining our prudent and innovative risk appetite, operating in compliance with regulatory and legal requirements, and consistently implementing the New Basel Capital Accord and the new regulatory standards. At the same time, we seek to achieve moderate returns with reasonable levels of risk by maintaining security, profitability and liquidity and insisting on having an appropriate balance between capital, risk and revenue. We maintain sufficient risk allowance and capital adequacy, aim to improve our overall risk management capability for business development and innovation and create value through risk management, so as to effectively support the realization of our strategic targets.

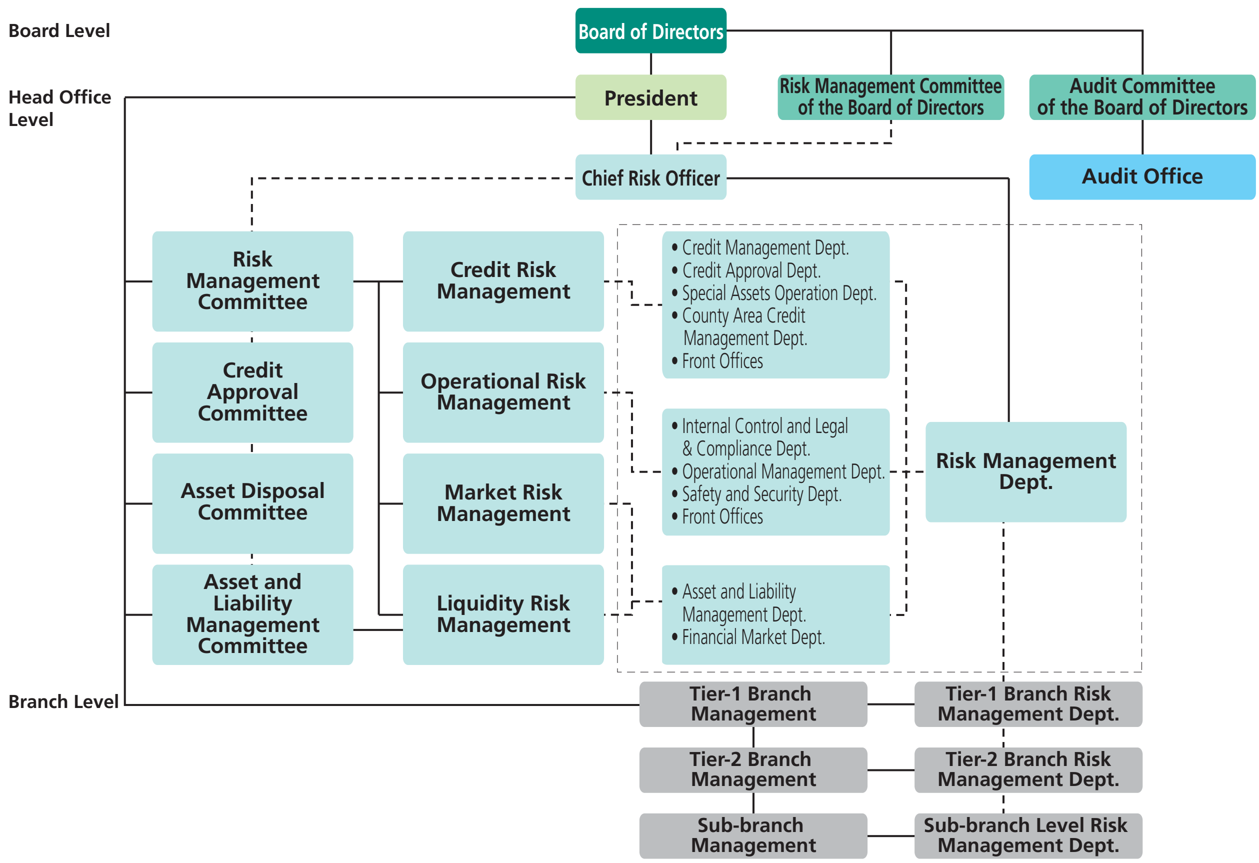
In 2013, by adhering to the strategy of comprehensive, balanced and effective risk management and leading by prudent and innovative risk appetite, the Bank improved the balance among capital, risk and revenue to develop business based on the risk management capability and match our risk level with our total capital and revenue.

Risk Management Organizational Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management Committee and the Audit Committee under the Board of Directors perform the risk management functions, review the key risk management issues and supervise the operation of risk management system and the risk condition of the Bank.

Senior Management is the organizer and executor of risk management of the Bank. Under the Senior Management oversight, we have various risk management committees with different functions, including Risk Management Committee (with three sub-committees, namely credit risk management committee, market risk management committee and operational risk management committee), Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Risk Management Committee is primarily responsible for considering material risk management issues, studying and drafting risk management policies, system and tools, analyzing and evaluating the overall risk condition of the Bank, and coordinating, guiding and reviewing the risk management of all departments and branches.

In 2013, in order to expand the coverage of risk management to the frontline and promote the integration of the risk management function of branch outlets, we further adjusted and refined the risk management organization structure of our tier-2 branches and sub-branches. The structure of risk management department at tier-2 branches was optimized through reallocation of human resources to enhance the comprehensive risk management functions. We integrated the risk management function and position at tier-1 sub-branches and adopted centralized management and control on various risks in branches. During the reporting period, we organized 2013 annual examination on qualification of risk managers of the Bank and actively carried out risk management training in the "Agricultural Banking University" to strengthen the quality and performance of the risk managers of the Bank.



Risk Management Structure

Risk Management System

In 2013, we continued to refine our risk management policy system. We formulated the risk management plan for 2013 to 2015 and revised the risk evaluation method, as well as the working rules of Risk Management Committee. In accordance with the *Capital Rules for Commercial Banks (Provisional)*, we formulated a plan to achieve the three pillars' objectives and its implementation, so as to persistently promote the application of advanced capital management methodology. We strengthened our risk management systems in various specific aspects, and developed or revised policies and measures such as procedures for loan defaults identification, risk assessment on County Area credit products, market risks monitoring and reporting, risk classification in the wealth management business and country risk management.

Promoting the implementation of the Capital Rules to enhance the effectiveness of risk management

During the reporting period, we applied to the CBRC for the implementation of advanced capital management methodology, including the non-retail internal rating-based (IRB) approach, retail exposures IRB approach and standardized approach for operational risk. We also closely followed the latest requirements approved by regulatory authorities, promoted the infrastructure construction of the three pillars and strengthened the application of risk measurement results in operation management, in order to be well prepared for the official launch of advanced capital management methodology.

We continued to improve the advanced capital management methodology. For credit risk, through refining rating management system, the independence of rating was enhanced. We improved our rating management for key industries and regions through establishing adjustment mechanism of rating, in order to enhance the prudence and sensitivity of rating. We strengthened the investigation management of rating for SMEs with the objective to increase the reliability of rating for SMEs. We developed 12 rating management modules, including online financial indicators warning, so as to improve the risk warning and monitoring function of the system. During the reporting period, our internal rating system's capability of identification ranked top in the industry. **For market risk,** based on the Internal Models Approach (IMA) developed during the previous period, we further enhanced the timeliness and effectiveness of our market risk management by way of developing and applying modules in respect of market risk limit, market risk monitoring and reporting, as well as counterparty credit risk management. **For operational risk,** we continued to reorganize and replenish loss data, and examined the classification and rating so as to consolidate the data base of internal loss. The Advanced Measurement Approach (AMA) calculation engine was optimized to improve the processing ability of complicated data and the stability of models. We also carried out operational risk assessment for all business lines, refined the key risk indicator system and optimized the score cards to enhance the foreseeability and sensitivity of measurement. During the reporting period, the trial application of the AMA for operational risk was approved by the Risk Management Committee of the Bank.

The Internal Capital Adequacy Assessment Process (ICAAP) with our unique characteristics was established. We formulated the objectives and implementation plans for the three pillars under the *Capital Rules for Commercial Banks (Provisional)* and the administrative measures for ICAAP, and conducted internal capital adequacy assessment for 2013. We also developed and promoted the application platform for optimizing economic capital allocation, and completed the design of model for the assessment of major risk management capability.

We conducted information disclosure under the third pillar quarterly. Information disclosure under the third pillar has been conducted since the first quarter of 2013 in accordance with the regulatory requirements of the Bank.

Risk Analysis and Reporting

In 2013, in response to changes in the external economic and financial environments as well as the adjustments of industrial policies of the PRC, we enhanced the risk identification and supervision in key areas such as industries with overcapacity, the real estate industry and government financing vehicles. We promoted the establishment of the risk supervision and reporting IT system, and expanded the scope and coverage of risk analysis through utilizing the management tools, such as IRB system, risk exposure limit, value at risk (VaR) and Economic capital.

Credit Risk

Credit risk is the risk of loss from the default by an obligor or a counterparty when payments fall due. We are exposed to credit risk primarily from our loan portfolio, investment portfolio, guarantee business and various other on-and off-balance sheet credit risk exposures.

Credit Risk Management

In 2013, we proactively responded to changes in macro-economic and financial environment and complied with the government's macro-economic control policies, and continued to refine the system of credit risk management. We further refined the credit policies and expanded the coverage of the industrial credit policies. We strengthened the risk control in key areas, improved customer list-based management, strictly terminated loans to customers with potential risk and further refined and adjusted the loan structure.

Credit Risk Management Structure

The credit risk management system mainly comprises the Board of Directors and its Risk Management Committee, the Senior Management and its Risk Management Committee, Credit Approval Committee, Asset Disposal Approval Committee, Risk Management Department, Credit Management Department, Credit Approval Department and front offices, forming a credit risk management structure characterized with centralized management and multi-level authorization.

Risk Management of Corporate Banking

We enhanced the policy and IT system establishment for risk management. We formulated the Regulatory Measures in Respect of Subsequent Disposition of the Debt Financing Instruments and business regulatory policies in respect of bill financing, debt financing consultancy and pledges of precious metals. We continued to improve the IT system of customer relationship management and the IT system for small enterprises' monitoring to strengthen credit risk alert and warning.

Post-disbursement management and risk management for group-companies customers were enhanced. In strict accordance with the regulatory requirements of the CBRC, we conducted regular review meetings and optimized our post-disbursement management. We clearly defined the job duties of the group-companies customer management team and the project executive team and improved the information communication mechanism. We also strengthened risk exposure management for the effective prevention and control of multi-credit granting risks and excessive credit granting risks. We followed the changes of risks from the customers with large credit exposure, and formulated risk management preventive measures.

We enhanced risk control on key sectors and industries. We strengthened the follow-up monitoring and also formulated the risk control programs of the industries that are more vulnerable to economic downturn: the industries that are sensitive to economic cycle (including steel industry, cement industry, coal industry and vessel manufacturing industry); the industries that are export-dependent (including photovoltaic industry and foreign trading industry); and other risk-intensified industry. We further improved risk management of the industry-specific exposure limit and control the growth of loans to relevant industries under the limitation. The financial position and previous loan repayment records of the government financing vehicles were closely monitored and we exercised caution for the approval of new borrowers and loan projects.

We focused on the risk control of the emerging businesses. We paid attention to risks relating to wealth management and payment business, and reinforced the subsequent management for the underwriting of debt financing instruments and wealth management financing business. Efforts were also made to strengthen the investigation on the trueness of the trading background to regulate the development of trade financing business.

Risk Management of Retail Loans

We pushed forward the reformation of the centralized operation for retail loans and optimized the retail loan business procedures to facilitate the professional, streamlined and integrated operation of the retail loan business. We enhanced the policy system of retail loans risk management through revising the policies and procedures in relation to post-disbursement management, suspension and resumption management and overdue loans management, so as to refine the management requirements and strengthen the risk control. We strengthened risk monitoring to promptly identify the potential risks in key regions, industries and products of the retail loan business, and promoted the risk monitoring system for loan disbursement to report and inspect suspicious information. In respect of the tier-2 branches with non-performing loan ratio over the threshold, we adopted the suspension and resumption management for the efficient settlement and reduction of non-performing loans. We also reinforced the overdue loan management and established a collection platform, with which centralized collection was conducted through automated telephone calls and manual telephone calls. Collection strategies were enhanced for better collection efficiency.

Risk Management of Credit Card Service

We formulated the Guidance on Credit Card Risk Management. Credit card business management policies, including card issuance, credit granting, authorization, post-disbursement management and risk evaluation, were refined to fulfil the risk control requirements. We enhanced the internal rating system for credit cards and continued to optimize the rating model, and pushed forward the application of the rating results to the limit adjustment and post-disbursement management. We established a centralized inspection and approval centre so as to facilitate the reform of the loan instalment approval model. We also optimized the credit card collection system to improve collection efficiency. The anti-fraud investigation system and the fraud risk monitoring regulations were refined. In order to strengthen risk inspection, we established a multi-channel control system from card issuance and from merchant end. We continued to put efforts into the recovery and disposal of non-performing loans. The project related to loan settlements were commenced while loans recognized as bad debts were written off in a timely manner. We carried out centralized investigation on new e-commerce merchants and introduced a merchant risk alert system to conduct stringent off-site monitoring and on-site inspection.

Risk Management of Treasury Operations

We formulated emergency management plan regarding the financial market risks to stipulate the risk monitoring, report method and emergency management measures for different businesses. We established a risk management system relating to counterparties and customers in the financial market and adopted list-based management for gold leasing and the business in monetary market. We conducted more research and put greater efforts on monitoring the industry and bond issuers. In-depth analysis and report on significant risk events, industries and bond issuers were carried out so as to reveal risks in a timely manner. We also prudently categorized non-credit assets and made provisions for relevant impairment loss.

Risk Management of the County Area Banking Business

Please refer to "County Area Banking Business — Mechanism Reform — Risk Management" of this annual report.

Loan Risk Classification

We formulated and kept refining relevant regulations on loan risk classification in accordance with the "Guidelines of Loan Credit Risk Classification" issued by the CBRC. We assessed the recoverability of loans and classified the loans by taking account of principle factors, including the borrower's repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment source.

We adopted two classification systems: (1) the five-category classification system and (2) the 12-category classification system. Corporate loans were mainly managed with 12-category classification system. Comprehensive evaluations of customer default risk and debt transaction risk objectively reflected the risk level of loans and improved the foreseeability and sensitivity of risk identification. Retail loans and certain corporate loans in counties which satisfied the small business standards required by the CBRC were managed with the five-category classification system. The credit management system automatically classified the loans based on the length of period by which payments of principal or interest were overdue and the collateral type and allowed for a more objective risk assessment. In addition, the classification was regularly adjusted based on the information collected in the credit management to reveal all risks objectively.

During the reporting period, we constantly strengthened the management of risk classification and refined the related policies of risk classification on credit assets. We also improved the risk classification management IT system in relation to credit assets and strengthened the monitoring function of the system so as to conduct continuous online monitoring of loan's risk condition from different angles and perspectives. We inspected the compliance of the risk classification and further improved the accuracy of risk classification and the effectiveness of loan quality management.

Credit Risk Analysis

Maximum exposures to credit risk (before taking into account any collateral and other credit enhancement) were set out as follows:

In millions of RMB

Item	31 December 2013	31 December 2012
Balances with central banks	2,504,043	2,520,015
Deposits with banks and other financial institutions	397,678	262,233
Placements with banks and other financial institutions	308,655	223,380
Financial assets at fair value through profit or loss	321,811	182,471
Derivative financial assets	8,186	4,825
Financial assets held under resale agreements	737,052	814,620
Loans and advances to customers	6,902,522	6,153,411
Available-for-sale financial assets	778,944	752,158
Held-to-maturity investments	1,523,815	1,308,796
Debt securities classified as receivables	592,090	608,594
Other financial assets	103,024	72,624
Balance sheet items	14,177,820	12,903,127
Credit commitments	1,481,945	1,489,391
Total	**15,659,765**	**14,392,518**

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Loans secured by mortgages	3,512,888	48.6	2,998,659	46.6
Loans secured by pledges	793,120	11.0	750,381	11.7
Guaranteed loans	1,296,613	17.9	1,291,752	20.1
Unsecured loans	1,622,092	22.5	1,392,607	21.6
Total	**7,224,713**	**100.0**	**6,433,399**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	31 December 2013		31 December 2012	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	34,893	0.5	30,693	0.5
Overdue for 91 to 360 days	21,910	0.3	19,292	0.3
Overdue for 361 days to 3 years	23,814	0.3	13,955	0.2
Overdue for more than 3 years	19,807	0.3	23,965	0.4
Total	**100,424**	**1.4**	**87,905**	**1.4**

Restructured Loans and Advances

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage of total loans (%)	31 December 2012 Amount	31 December 2012 Percentage of total loans (%)
Restructured loans and advances	**10,376**	**0.1**	**11,592**	**0.2**

Loan Concentration

In millions of RMB, except for percentages

Top 10 borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	35,829	0.50
Borrower B	Real estate	15,250	0.21
Borrower C	Production and supply of power, heat, gas and water	14,062	0.19
Borrower D	Construction	12,828	0.18
Borrower E	Leasing and commercial services	12,133	0.17
Borrower F	Production and supply of power, heat, gas and water	10,984	0.15
Borrower G	Manufacturing	10,870	0.15
Borrower H	Transportation, logistics and postal services	10,500	0.15
Borrower I	Manufacturing	10,050	0.14
Borrower J	Transportation, logistics and postal services	9,629	0.13
Total		**142,135**	**1.97**

As of the end of 2013, the total loans granted to the largest single borrower and top ten borrowers accounted for 3.33% and 13.22% of our total capital, respectively, both of which were in compliance with regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	31 December 2013 Amount	31 December 2013 Percentage of total loans (%)	31 December 2012 Amount	31 December 2012 Percentage of total loans (%)
Normal	6,860,589	94.96	6,052,100	94.08
Special mention	276,343	3.82	295,451	4.59
Non-performing loans	87,781	1.22	85,848	1.33
Substandard	25,388	0.36	29,489	0.46
Doubtful	52,162	0.72	46,996	0.72
Loss	10,231	0.14	9,363	0.15
Total	**7,224,713**	**100.00**	**6,433,399**	**100.00**

At the end of 2013, the balance of non-performing loans of the Bank was RMB87,781 million, representing an increase of RMB1,933 million compared to the end of previous year. Non-performing loan ratio dropped by 0.11 percentage point to 1.22%. The balance of special mention loans was RMB276,343 million, representing a decrease of RMB19,108 million compared to the end of previous year. Special mention loans accounted for 3.82% of total loans, representing a decrease of 0.77 percentage point. Despite the downturn of the macro-economic growth and increased pressure on asset quality of the banking industry, the Bank adopted a strict approach to risk limitation and its quality of loans remained stable, which was mainly because the Bank (1) established a complete and effective prevention and control system of loan risks based on the principles of comprehensive risk management, and further improved the policies of credit rating for customers, allowance for impairment loss, measurement of economic capital and post-disbursement management; (2) conducted risk inspections and management on key areas such as industries with overcapacity, steel trade and guarantee rings in response to the macro-economic condition and changes in regulatory requirements, paid close attention to changes of overdue loans and special mention loans, developed and introduced new techniques and tools for risk management to further strengthen the identification and management of risks; and (3) enhanced the risk monitoring and post-disbursement management to identify and resolve risks in a timely manner, diversified the measures for the disposal of non-performing loans and undertook more efforts to write-off of bad debts.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	31 December 2013			31 December 2012		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**
Corporate loans	71,462	81.4	1.51	72,664	84.7	1.64
Of which: Short-term corporate loans	48,368	55.1	2.26	40,914	47.7	1.99
Medium- and long-term corporate loans	23,094	26.3	0.89	31,750	37.0	1.34
Discounted bills	24	—	0.03	12	—	0.01
Retail loans	15,425	17.6	0.74	12,962	15.1	0.76
Residential mortgage loans	3,787	4.4	0.29	3,804	4.5	0.36
Credit card balances	2,258	2.6	1.16	1,533	1.8	1.03
Personal consumption loans	1,418	1.6	0.70	1,062	1.2	0.62
Loans to private business	3,251	3.7	1.27	2,389	2.8	1.19
Loans to rural households	4,502	5.1	3.07	3,805	4.4	2.83
Others	209	0.2	13.94	369	0.4	19.02
Overseas and others	870	1.0	0.28	210	0.2	0.11
Total	**87,781**	**100.0**	**1.22**	**85,848**	**100.0**	**1.33**

At the end of 2013, the balance of corporate non-performing loans of the Bank was RMB71,462 million, representing a decrease of RMB1,202 million over the end of previous year, with the non-performing loan ratio dropped by 0.13 percentage point to 1.51%. The balance of retail non-performing loans increased by RMB2,463 million to RMB15,425 million over the end of previous year, and the non-performing loan ratio decreased by 0.02 percentage point to 0.74%. The non-performing loans of discounted bills increased by RMB12 million to RMB24 million over the end of previous year, and the non-performing loan ratio increased by 0.02 percentage point to 0.03%.

Distribution of Non-performing Loans by Geographic Region

In millions of RMB, except for percentages

	31 December 2013			31 December 2012		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	3	—	—	2	—	—
Yangtze River Delta	19,373	22.1	1.09	19,734	23.0	1.19
Pearl River Delta	12,407	14.1	1.22	11,645	13.6	1.28
Bohai Rim	16,603	19.0	1.33	14,397	16.8	1.27
Central China	14,075	16.0	1.57	11,865	13.8	1.51
Northeastern China	4,927	5.6	1.78	4,564	5.3	1.87
Western China	19,523	22.2	1.23	23,431	27.3	1.67
Overseas and others	870	1.0	0.28	210	0.2	0.11
Total	**87,781**	**100.0**	**1.22**	**85,848**	**100.0**	**1.33**

In 2013, the balance of non-performing loans in Central China, Bohai Rim and Pearl River Delta increased by RMB2,210 million, RMB2,206 million and RMB762 million, respectively, while the balance in Western China and Yangtze River Delta decreased by RMB3,908 million and RMB361 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	31 December 2013			31 December 2012		
Item	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**	**Amount**	**Percentage (%)**	**Non-performing loan ratio (%)**
Manufacturing	39,316	55.0	2.86	32,206	44.3	2.39
Production and supply of power, heat, gas and water	4,548	6.4	0.94	7,904	10.9	1.65
Real estate	3,521	4.9	0.66	4,731	6.5	1.03
Transportation, logistics and postal services	3,586	5.0	0.59	6,182	8.5	1.20
Wholesale and retail	12,305	17.2	2.36	11,698	16.1	2.45
Water, environment and public utilities management	836	1.2	0.41	1,514	2.1	0.76
Construction	1,055	1.5	0.53	740	1.0	0.36
Mining	267	0.4	0.13	345	0.5	0.18
Leasing and commercial services	1,370	1.9	0.42	1,476	2.0	0.51
Information transmission, software and IT service	194	0.3	0.79	247	0.4	1.19
Others	4,464	6.2	1.87	5,621	7.7	2.30
Total	**71,462**	**100.0**	**1.51**	**72,664**	**100.0**	**1.64**

At the end of 2013, the balance of non-performing loans decreased most significantly in three industries: (1) production and supply of power, heat, gas and water; (2) transportation, logistics and postal services; and (3) real estate by RMB3,356 million, RMB2,596 million and RMB1,210 million over the end of previous year, respectively. The non-performing loans to the manufacturing and wholesale and retail industries reversed over the previous trend and increased by RMB7,110 million and RMB607 million, compared to the end of previous year, respectively.

Changes to the Allowance for Impairment Losses

In millions of RMB

Item	**Individually assessed**	**Collectively assessed**	**Total**
At 1 January 2013	52,242	227,746	279,988
Charge for the year	5,605	46,521	52,126
— Addition	16,390	73,442	89,832
— Reversal	(10,785)	(26,921)	(37,706)
Write-offs and transfer-out	(7,842)	(1,942)	(9,784)
Transfer-in			
— Recoveries of loans and advances written-off in previous years	600	220	820
— Unwinding of discount on allowance	(454)	(239)	(693)
— Exchange difference	(24)	(242)	(266)
At 31 December 2013	**50,127**	**272,064**	**322,191**

At 31 December 2013, allowance for impairment losses on loans was RMB322,191 million, representing an increase of RMB42,203 million over the end of previous year. Specifically, the balance of allowance for impairment losses assessed on a collective basis was RMB272,064 million, increased by RMB44,318 million over the end of previous year. The balance of allowance for impairment losses assessed on an individual basis was RMB50,127 million, decreased by RMB2,115 million over the end of previous year. The ratio of allowance to non-performing loans increased by 40.90 percentage points over the end of last year to 367.04%, and the ratio of allowance to total loans increased by 0.11 percentage point over the end of previous year to 4.46%. All of the above ratios complied with the regulatory requirements, representing an enhancement of risk resistance.

Market risk

Market risk refers to the risk of losses in the on-and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risk, mainly including interest rate risk and exchange rate risk. The risk management organizational structure of the Bank comprises the Board of Directors and its risk management committee, Senior Management and its risk management committee, Risk Management Department, Asset and Liability Management Department and the business departments and institutions bearing market risk.

In 2013, the Bank consistently refined its market risk management policy system by formulating policies regarding annual treasury transaction and market risk management, and administrative measures on the verification of market risk models, measurement of VaR and emergency management of material market risk in order to streamline the procedures for market risk model verification, VaR measurement and emergency management. The IT system for market risk limit was launched to conduct automatic limit management. Upon the completion of development of functions regarding market risk report and counterparty credit risk management, the Bank was able to measure the exposure of counterparty credit risk and the risk-weighted assets after Credit Valuation Adjustment (CVA).

Separation of Trading Book and Banking Book

To enhance the effectiveness of the market risk management and the accuracy of the measurement of regulatory capital for market risk, the Bank classified all of the on-and off-balance-sheet assets and liabilities into trading book and banking book. Trading book covers the financial instruments and commodities positions held for trading or hedging purposes. Any other positions are classified in the banking book.

Market Risk Management for Trading Book

The Bank managed the market risk of the trading book by methodologies such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration, exposure analysis and stress testing.

The Bank adopted historical simulation method with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to measure the VaR for trading book of the Head Office, domestic branches and certain overseas branches of the Bank. Based on the differences between domestic and overseas markets, the Bank selected applicable parameter for model and risk factors in order to reflect the actual market risk level. We verified the accuracy and credibility for the risk measurement model by data analysis, parallel modelling and back-testing of the market risk measurement model.

VaR Analysis for Trading Book

In millions of RMB

Item	January–December 2013 At the end of the period	Average	Maximum	Minimum	January–December 2012 At the end of the period	Average	Maximum	Minimum
Interest rate risk	81	46	91	17	19	16	20	10
Exchange rate risk[1]	161	80	161	12	46	42	103	13
Commodity risk	31	17	51	2	51	44	81	11
Overall VaR	211	113	211	36	47	50	116	27

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

In 2013, as the RMB interest rate in the domestic inter-bank market fluctuated, the position of the bond portfolio increased by 81.2% over the end of previous year, which resulted in the increase in VaR related interest rate. As the domestic and overseas prices of gold fluctuated and the gold transaction business expanded rapidly, the exchange rate VaR increased significantly. The scale of silver transaction decreased and the commodity VaR decreased compared to the previous year.

Market Risk Management for Banking Book

The Bank managed the market risk of banking book by comprehensively utilizing measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk causing loss to our income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risk of the banking book of the Bank mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities based.

In 2013, the Bank persisted in a prudent risk appetite for interest rate and enforced the study on interest rate risk management strategies. The Bank also forecasted and analyzed the effect from the liberalization of interest rate and formulated corresponding strategies. The Bank refined the structure and management of all businesses of assets and liabilities, reformed and upgraded the core business system and management tools for decision-making and enhanced the monitoring and analysis of interest rate risk, so as to further enhance our capability to control interest rate risk.

During the reporting period, the Bank regularly measured and analysed the interest rate risk by carrying out gap analysis, sensitivity analysis, scenario analysis and stress testing to control the exposure of interest rate risk within an acceptable range.

Exchange Rate Risk Management

Exchange rate risk refers to risk due to mismatches in the currency denominated assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by structural assets and liabilities (the "structural exchange rate risk"), which are difficult to be mitigated in operations.

In 2013, the Bank carried out monitoring and sensitivity analysis of exchange rate risk exposure regularly, strengthened the management of currency matching to maintain a balanced portfolio of assets and liabilities denominated in various currencies. We also reduced the trading exposure and maintained the structural exposure stable to keep the risk exposure of exchange rate of the Bank within a reasonable range.

Market Risk Exposure Limit Management

Our market risk exposure limit is classified into directive limit and indicative limit based on its effects, and includes position limit, stop-loss limit, VaR limit and stress testing limit.

In 2013, the Bank further enhanced market risk exposure limit management and the IT system for market risk exposure limit commenced operation. The Bank set various market risk exposure limits based on the types of products and risks and refined the categorization of limits. The Bank also introduced system for automatic measurement, monitoring and reporting of risk exposure limit. During the reporting period, the risk exposure limit was kept within a reasonable range.

Interest Rate Risk Analysis

At the end of 2013, the accumulative negative gap sensitive to interest rate due within one year amounted to RMB284,081 million, representing an increase of RMB171,184 million in absolute terms compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
31 December 2013	(2,291,861)	548,216	1,459,564	(284,081)	(143,786)	1,200,426	(101,365)
31 December 2012	(2,205,230)	642,493	1,449,840	(112,897)	(204,422)	993,987	(69,049)

Note: Please refer to "Note IV. 46. Financial Risk Management: Market Risk" to the financial statements for details.

Interest Rate Sensitivity Analysis

In millions of RMB

Movements in basis points	31 December 2013 Movements in net interest income	31 December 2013 Movements in other comprehensive income	31 December 2012 Movements in net interest income	31 December 2012 Movements in other comprehensive income
Increased by 100 basis points	(11,922)	(19,330)	(10,342)	(13,305)
Decreased by 100 basis points	11,922	19,330	10,342	13,966

The above interest rate sensitivity analysis indicates the movements in net interest income and other comprehensive income under different interest rates, assuming that there is a parallel shift in the yield curve, and without taking into account any risk management measures adopted by the management to reduce interest rate risk.

Based on our assets and liabilities at 31 December 2013, net interest income would decrease (or increase) by RMB11,922 million if interest rates instantaneously increase (or decrease) by 100 basis points. Other comprehensive income would decrease (or increase) by RMB19,330 million if interest rates instantaneously increase (or decrease) by 100 basis points.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2013, the mid-point rate of RMB appreciated against USD accumulatively by 1,886 basis points or 3.09%. At the end of 2013, our net foreign exchange exposure of financial assets/liabilities was USD1,866 million, representing a decrease of USD188 million compared to the end of previous year.

Foreign Exchange Exposure

In million of RMB (USD)

	31 December 2013 RMB	31 December 2013 USD equivalent	31 December 2012 RMB	31 December 2012 USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(20,225)	(3,317)	6,986	1,111
Net foreign exchange exposure of overseas financial assets/liabilities	31,602	5,183	5,925	943
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	11,377	1,866	12,911	2,054

Note: Please refer to "Note IV. 46. Financial Risk Management: Market Risk" to the financial statements for details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax	
		31 December 2013	31 December 2012
USD	+1%	(188)	(247)
	-1%	188	247
HKD	+1%	(93)	281
	-1%	93	(281)

Foreign currency assets and liabilities of the Bank were mainly denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax would decrease (or increase) by RMB188 million if USD appreciates (or depreciates) against RMB by 1%.

Liquidity Risk

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or failing to acquire sufficient funds at a reasonable cost in response to the growth of asset or to fulfil payment obligations. Our liquidity risk mainly derives from concentrated cash withdrawals and deposits, massive deferred payments by borrowers, serious mismatches of assets and liabilities and the difficulties in liquidating large-value assets.

The objective of liquidity risk management is to identify, measure, monitor and report the liquidity risk effectively by establishing a sound liquidity risk management mechanism in order to ensure that the liquidity requirement and the obligation to pay can be satisfied in different situations and to balance the profitability and security of our funds.

Liquidity Risk Management

In 2013, the PBOC continued its prudent monetary policies and exerted its effort in fine-tuning the policies in advance. It adjusted the total volume of liquidity in the market by various means such as conducting open market operations, renewing certain three-year central bank bills upon maturity, providing Standing Lending Facility and adjusting short-term liquidity.

We strengthened our research and anticipation of the macro-economic and financial condition, monetary policy environment and the liquidity environment. We strictly adhered to the risk limitation and balanced the relationship among security, liquidity and profitability to maintain stable liquidity of the Bank. By adjusting and refining asset and liability structure and securing sources of deposits, we ensured an open market financing channel and maintain the proportion of high quality liquid reserve assets to satisfy the payment need of customers. The Bank strengthened the real-time monitoring and flexible adjustment of capital position, ensured sufficient reserve and enhanced revenue from capital operations, which effectively coped with the impacts of tight liquidity in the market since mid-year. We strengthened monitoring, early-warning and reporting in respect of liquidity to ensure the timeliness and effectiveness in response to liquidity risk. We were able to cope with liquidity risk promptly and effectively in the face of liquidity pressure through conducting liquidity emergency drill and stress tests. Liquidity management tools were set up to facilitate the real-time monitoring of cash flow and the reallocation and management of matured cash flows. We also developed a management system for inter-bank financing business and implemented whole-process management on the cash flow of inter-bank financing business to arrange for matured cash flows in advance. A liquidity management coordinating system was established for domestic and overseas branches to enhance the liquidity risk prevention competence of overseas branches.

Liquidity Risk Analysis

In 2013, the macro-economic environment was complicated and subject to multifaceted influence of various factors. Since mid-year, the overall liquidity in the inter-bank market has been tight while the interest rates of the monetary market saw substantial fluctuations. We continuously monitored the monetary policies, the changes in market liquidity, the development of our asset and liability business and our liquidity position to increase the efficiency of fund use and ability to deal with liquidity risk while securing the overall liquidity of the Bank. During the reporting period, the arrangement of cash flow for matured debts was reasonable whereas the overall liquidity position of the Bank was sufficient, secured and under control.

Liquidity Gap Analysis

The table below sets out our net position of liquidity as of the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
31 December 2013	18,629	(7,089,235)	355,050	(193,973)	631,324	1,333,003	3,210,614	2,405,782	671,194
31 December 2012	17,751	(6,597,099)	419,330	(47,360)	717,454	1,053,047	2,820,475	2,224,021	607,619

Note: *Please refer to "Note IV. 46. Financial Risk Management: Liquidity Risk" to the financial statements for details.*

We assessed liquidity risk through liquidity gap analysis. At the end of 2013, the negative liquidity gap repayable on demand continued to expand primarily due to a rapid growth of the demand liabilities and an increase in the fixed-term liabilities about to mature. In order to boost the profitability of assets, we moderately extended asset duration. As a result, the positive gap within 1 year decreased by RMB297,023 million compared to the end of the previous year while the positive gap within 1-5 years and over 5 years increased by RMB279,956 million and RMB390,139 million, respectively, compared to the end of the previous year.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk or loss resulting from inadequate or problematic internal control procedures, from human or information system related factors, or from external affairs, including legal risk, but not including strategy risk or reputation risk.

In 2013, the Risk Management Committee of the Bank approved the internal trial application of AMA for operational risk. We measured the economic capital for operational risk by the calculation engine based on data of internal and external losses as well as operational risk and internal control, so as to improve the sensitivity and accuracy of measurement. Operational risk management in tier-1 branches was strengthened, and departments or positions responsible for operational risk management were established in the front lines. In addition, we set up operational risk tolerance management mechanisms, optimized operational risk indicator system and score cards, and improved the quality of risk monitoring data. Self-evaluation and assessments in specific aspects also achieved satisfactory progress. The completion rate for self-evaluation and special assessments in tier-1 branches was 100%. Case prevention was improved to enhance the risk identification and prevention capabilities. Furthermore, centralized authorization, centralized operation and centralized monitoring of back offices were extensively promoted. We also implemented centralized management of the third-party payment services to strengthen the risk monitoring and the entry threshold management. Construction of the disaster recovery centre was in well progress and business continuity management was improved to enhance the tail risk management capabilities.

Legal Risk Management

Legal risk refers to any risk of the Bank suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

In 2013, we carried out the "Sixth Five-Year" Law Popularization Program and organized various lectures for our employees at all levels. Mid-year meetings of the "Sixth Five-Year" Law Popularization Program and Legal Experts' Council were held to enhance the legal risk prevention awareness of all employees through multiple channels. Litigation management was strengthened with focus on new, typical and difficult cases, and efforts were made to improve the legal risk prevention and control. Our rights were effectively protected with such measures. Furthermore, we strengthened the contract management by collating the templates issued by regulatory authorities and industry associations, constantly improving the form of contracts and providing guidelines to staff for the proper use of contracts. In-depth legal review was conducted and standard plans on legal review were formulated. We kept exploring new methods to standardize the legal review process and prepared specific legal service reports based on the operation of each business department. In addition, we promoted intellectual property management, standardized the procedures for the application and use of intellectual property to prevent disputes and losses and safeguard our interests effectively. Legal information management system was upgraded with an aim to improve the information management of our legal risk management.

Anti-Money Laundering

In 2013, we optimized the structure of Anti-Money Laundering (AML) department and developed a centralized processing model for AML to improve the efficiency and level of AML management. We kept track of the latest changes in the risk of money laundering and terrorism financing, further optimized AML risk monitoring tools and improved the regular risk analysis report to effectively enhance our risk monitoring capabilities. The technological supports to the AML system were refined and innovative data reporting model was developed. Operation management process was also upgraded to improve the efficiency and quality of AML data reporting. We stepped up the education, training and promotion of AML to further enhance the risk prevention awareness of staff in respect of AML, and set up a professional team to handle AML issues so as to effectively enhance the bank-wide AML functions. In addition, we further improved the compliance management on AML in overseas institutions. We played an active role in combating illegal activities including money laundering and terrorism financing by assisting the competent authorities in AML investigations and duly performing the legal obligations in relation to the international AML.

Consolidated Management

In 2013, we further strengthened the consolidated management of the Group and our consolidated management capability improved. We refined the consolidated management policies, reinforced the synergy between the Bank and its subsidiaries in terms of risk control, clarified the supervisory duties for consolidated risk management and established the consolidated risk reporting system in subsidiaries and branches and to the Head Office. We strengthened the integrated assessment of risk and operation performance of the subsidiaries and branches. We regularly collected risk information of subsidiaries and branches so as to strengthen risk monitoring and reporting and further enhanced the data collection and reporting of the subsidiaries and branches.

Reputation Risk

Reputation risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Bank or external events.

We have placed reputation risk management under the corporate governance and comprehensive risk management system. We continuously refined the reputation risk management mechanism, measures and policies, and actively and effectively prevented reputation risk and addressed reputation risk events to minimize the losses and negative effects arising from the events.

In 2013, we continued to improved our reputation risk prevention and control mechanism by enhancing the reporting and handling of reputation risk events and strengthening the analysis and handling experience sharing of typical cases of reputation risk events. We emphasized the supervision, analysis and reporting of public opinions, and shifted the focus of reputation risk prevention and control towards the frontline. We strengthened the handling and resolving of reputation risk events, enhanced the cooperation between the Head Office and branches, so as to minimize the negative impact of the events. We improved the formulation of contingency plans and the preparation of case studies regarding case reputation risk, and provided training of reputation risk management for officers of branch outlets, so as to enhance our handling ability for reputation risk events. We conducted inspection on reputation risks to identify potential reputation risks of our branches and business lines, strengthened the public opinion analysis, warning and response guidances of our branches and business lines, and enhanced the risk isolation. We strengthened our communication with regulatory authorities and risk management department in connection with the reputation risk prevention and control and development of public opinions, conducted the research of reputation risks in the ICAAP project, and enhanced our reputation risk management theories. We set up the official Weibo websites for "Agricultural Bank of China", our electronic banking and credit card businesses and customer service center, and operated trial official Weibo websites for nine tier-1 branches.

Country Risk Management

Country risk represents risk of business loss or other losses suffered by banks due to changes and incidents occurred in the economy, politics and society of a specific country or region, which result in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank.

We strictly complied with the regulatory requirements of the CBRC and involved country risk management into our comprehensive risk management system. We managed country risk through various instruments such as country risk evaluation and rating, exposure limit management, risk exposure measurement, general analysis and monitoring, monitoring and analysis of risk factors and stress tests. We carry out rating and limit verification of country risk at least once a year and make timely adjustment based on risk status.

In 2013, we further improved the country risk management system and procedures, closely monitored the changes of risk exposure. We also tracked, monitored and reported country risk from time to time in order to adjust country risk rating and limit in a timely manner. Risk alert mechanism was strengthened and stress tests for country risk were performed to maintain effective management and control over country risk.

Capital Management

During the reporting period, we adhered to the basic principles of capital management and the objectives of capital adequacy ratio management in accordance with the capital planning for 2013 to 2015 and the capital adequacy ratio plan for 2013 to 2018. We also reinforced the capital control and the return management. The Bank also established a sound mechanism for capital management in the long term to ensure that the capital adequacy ratio can cover risks, create value and comply with regulatory requirements. We formulated ICAAP to strengthen the capital governance and ensure the sufficiency of capital to cover major risk exposures of the Bank.

Economic Capital Management

During the reporting period, we further optimized the allocation of economic capital and focused on the strategic objectives of value creation and structural optimization. Based on the improvement of the economic capital allocation among branches, we formed an economic capital control system for business lines, which consolidated the capital constraint and improved the efficiency of resources allocation. We assessed the impact of the implementation of the *Capital Rules for Commercial Banks (Provisional)* fully and refined on- and off-balance sheet asset structure. We promoted the transformation of business development model towards capital-saving model while continuing to enhance capital management standard.

Capital Adequacy Ratio

We calculated the credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets by weighted approach, standard approach and basic indicator approach, respectively. The table below sets out the measurement of net capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)*.

In millions of RMB, except for percentages

Item	Consolidated	Unconsolidated
CET1 capital	838,473	831,648
Tier 1 capital	838,474	831,648
Total capital	1,074,967	1,067,420
Risk-weighted assets	9,065,631	9,004,578
Credit risk-weighted assets	8,220,434	8,162,538
Market risk-weighted assets	57,123	56,806
Operational risk-weighted assets	788,074	785,234
CET1 capital adequacy ratio	9.25%	9.24%
Tier 1 capital adequacy ratio	9.25%	9.24%
Capital adequacy ratio	11.86%	11.85%

The consolidated and unconsolidated capital adequacy ratios calculated in accordance with the *Rules for the Management of Capital Adequacy Ratio of Commercial Banks* are set out as below.

Item	Consolidated	Unconsolidated
Core capital adequacy ratio	9.81%	9.82%
Capital adequacy ratio	12.57%	12.55%

For details of the capital adequacy of the Bank and credit risk exposures after risk mitigation, please refer to the *2013 Capital Adequacy Ratio Report* published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) by the Bank.

Leverage Ratio

At the end of 2013, our leverage ratio calculated in accordance with the *Administrative Measures for Leverage Ratio of Commercial Banks* was 5.21%.

In millions of RMB

Item	31 December 2013
Tier 1 capital before regulatory adjustments	843,499
Regulatory adjustments to Tier 1 capital	5,025
On-balance sheet assets, adjusted[1]	14,536,345
Off-balance sheet items, adjusted (exclusive of derivatives)[2]	1,569,079
On- and off-balance sheet assets, adjusted[3]	16,100,399
Leverage ratio	5.21%

Note:
1. *On-balance sheet assets, adjusted include derivatives calculated using the current risk exposure approach and other on-balance sheet assets.*
2. *Off-balance sheet items, adjusted include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items.*
3. *On- and off-balance sheet assets, adjusted = On-balance sheet assets, adjusted + Off-balance sheet items, adjusted — Regulatory adjustments to Tier 1 capital*

Changes in Share Capital

Details of changes in share capital

Unit: Share

	31 December 2012		Increase/decrease during the reporting period(+/-)			31 December 2013	
	Number of shares	Percentage (%)[4]	New shares issued	Others[3]	Subtotal	Number of shares	Percentage (%)[4]
1) Shares subject to restrictions on sales[1]	**268,484,705,904**	**82.7**	**—**	**-258,592,941,197**	**-258,592,941,197**	**9,891,764,707**	**3.0**
1. State-owned shares[2]	268,484,705,904	82.7	—	-258,592,941,197	-258,592,941,197	9,891,764,707	3.0
2. Shares held by other domestic investors[2]	—	—	—	—	—	—	—
3. Shares held by foreign investors[2]	—	—	—	—	—	—	—
2) Shares not subject to restrictions on sales	**56,309,411,096**	**17.3**	**—**	**258,592,941,197**	**258,592,941,197**	**314,902,352,293**	**97.0**
1. RMB-denominated ordinary shares	25,570,588,000	7.9	—	258,592,941,197	258,592,941,197	284,163,529,197	87.5
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.4	—	—	—	30,738,823,096	9.5
3) Total number of shares	**324,794,117,000**	**100.0**	**—**	**—**	**—**	**324,794,117,000**	**100.0**

Notes:
1. "Shares subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.
2. "State-owned shares" refers to the shares held by the MOF, Huijin, the SSF and the SSF-Account III for state-owned shares transfer managed by the SSF. "Shares held by other domestic investors" refers to the shares held by strategic investors of A shares and the allottees of A shares under off-line placement. "Shares held by foreign investors" refers to the shares held by foreign cornerstone investors. "Foreign-invested shares listed overseas" refers to the H shares as defined in No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding (Revision 2007) of the CSRC.
3. "Others" refers to the shares released from restrictions on sales due to the expiry of the lock-up period relating to such shares. Positive numbers represent increases whereas negative numbers represent decreases.
4. Figures in the "Percentage" column of the table above are rounded to the nearest decimal number.

Details of changes in shares subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares subject to restrictions on sales as at the beginning of the period	Number of shares released/ decreased from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales as at the end of the period	Reason for restrictions on sales	Date of release of restrictions on sales
SSF[1]	11,122,941,167	1,231,176,460	—	9,891,764,707	Restrictions upon issuance	15 May 2015
MOF	127,361,764,737	127,361,764,737	—	—	Restrictions upon issuance	—
Huijin	130,000,000,000	130,000,000,000	—	—	Restrictions upon issuance	—
Total	**268,484,705,904**	**258,592,941,197[2]**	**—**	**9,891,764,707**	**—**	**—**

Notes: 1. Refers to the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer managed by the SSF pursuant to the requirements of state-owned shares transfer.

2. A total of 258,592,941,197 shares subject to restrictions issued upon the initial public offering held by the MOF, Huijin and the SSF were released on 15 July 2013 from restrictions and available for listing and trading on 16 July 2013. For details, please refer to the Announcement on the Listing and Circulation of Restricted Shares upon the Initial Public Offering of Agricultural Bank of China Limited published by the Bank on the Shanghai Stock Exchange dated 11 July 2013.

The trading date of shares subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	The remaining number of shares subject to the restrictions on sales	The remaining number of shares not subject to the restrictions on sales	Description
15 July 2013	258,592,941,197	9,891,764,707	314,902,352,293	A shares held by the MOF and Huijin, and A shares transferred to the SSF from the MOF[1]
15 May 2015	9,891,764,707	—	324,794,117,000	A shares held by the SSF, and A shares transferred to the SSF by itself

Note: 1. A shares held by the MOF and Huijin are not subject to the above lock-up period of 36 months after the approval of conversion to H shares by the relevant authority.

The shareholdings of the shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares subject to restrictions on sales held	Date of trading	Number of new shares for trading	Restrictions on sales
1	SSF[1]	9,891,764,707	15 May 2015	9,891,764,707	58 months

Note: 1. It represents the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer managed by the SSF pursuant to the requirements of state-owned shares transfer.

Details of Issuance and Listing of Securities

Issuance of Securities

On 21 April 2010, the SSF entered into the Share Subscription Agreement of Agricultural Bank of China Limited with the MOF, Huijin and the Bank, pursuant to which the SSF subscribed for 10,000,000,000 shares newly issued by the Bank for a total consideration of RMB15.52 billion.

On 15 and 16 July 2010, the shares of the Bank were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The total number of A shares and H shares offered in the initial public offerings was approximately 54,790 million shares, representing 16.87% of the Bank's total share capital after the initial public offerings. Among them, there were approximately 25,570 million A shares and approximately 29,220 million H shares, representing 7.87% and 9.00% of the Bank's total share capital after the initial public offerings, respectively. The over-allotment options of A shares and H shares were exercised in full. The offer prices of A shares and H shares were RMB2.68 and HKD3.20 per share, respectively. The total proceeds from the initial public offerings of A shares and H shares were approximately USD22.1 billion, of which approximately RMB68.5 billion was proceeds from the issuance of A shares. After deducting the expenses of the issuance, all the proceeds were used to strengthen the capital base of the Bank. The Bank had a total of 324,794,117,000 shares in the share capital, comprising 294,055,293,904 A shares and 30,738,823,096 H shares, upon the completion of the initial public offerings of A shares and H shares.

In July 2013, the Bank established a USD5 billion Medium Term Note Programme and the issuer of such programme is the Bank's Hong Kong branch. For details of the debt securities such as the Medium Term Notes and the Subordinated Bonds issued by the Bank, please refer to "Note IV. 34. Debt Securities Issued" to the financial statements.

Employee shares

The Bank had no employee shares.

Particulars of Shareholders

Number of shareholders and particulars of shareholding

At the end of the reporting period, the Bank had a total of 299,012 shareholders, including 28,585 H share shareholders and 270,427 A share shareholders. As of the close of business on 19 March 2014 (the fifth trading day immediately preceding the date of the Bank's A share annual report), the Bank had a total of 319,273 shareholders, including 28,445 H share shareholders and 290,828 A share shareholders.

Particulars of shareholding of the top 10 shareholders (the shareholding of H share shareholders is based on the data set out in the register of members of the Bank maintained in the H shares registrar)

Unit: Share

Total number of shareholders	299,012 (as set out in the registers of A shares and H shares as of 31 December 2013)

Particulars of shareholding of the top 10 shareholders
(the data below are based on the registers of shareholders as of 31 December 2013)

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, –)	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restrictions on sales held	Number of pledged or locked-up shares
Huijin	State-owned	A shares	219,825,318	40.28	130,831,990,282	—	None
MOF	State-owned	A shares	—	39.21	127,361,764,737	—	None
HKSCC Nominees Limited	Overseas legal entity	H shares	160,283,710	9.04	29,350,700,140	—	Unknown
SSF	State-owned	A shares	—	3.02	9,797,058,826	9,797,058,826	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	Other	A shares	323,077,059	1.48	4,812,906,379	—	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	25,922,570	0.43	1,388,116,528	—	None
SSF-Account III for state-owned shares transfer	State-owned	A shares	—	0.41	1,325,882,341	94,705,881	None
Standard Chartered Bank	Overseas legal entity	H shares	—	0.37	1,217,281,000	—	Unknown
State Grid Yingda International Holdings Group Limited	Other	A shares	—	0.23	746,268,000	—	None
China Shuangwei Investment Corporation	Other	A shares	—	0.23	746,268,000	—	None

Note: All the shares held by the HKSCC Nominees Limited represent the total number of H shares held by it as an agent on behalf of all institutional and individual investors registered with it as of 31 December 2013.

Apart from the SSF-Account III for state-owned shares transfer which is managed by the SSF, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales
(the data below are based on the registers of shareholders as of 31 December 2013)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Huijin	130,831,990,282	A shares
MOF	127,361,764,737	A shares
HKSCC Nominees Limited	29,350,700,140	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	4,812,906,379	A shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,388,116,528	A shares
SSF-Account III for state-owned shares transfer	1,231,176,460	A shares
Standard Chartered Bank	1,217,281,000	H shares
State Grid Yingda International Holdings Group Limited	746,268,000	A shares
China Shuangwei Investment Corporation	746,268,000	A shares
China Railway Construction Investment Company	742,974,000	A shares

The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Shareholdings of substantial shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no de facto controller.

MOF

The MOF, established in October 1949, is a ministry under the State Council, and is empowered to perform its duties in respect of state finance and taxation.

As of 31 December 2013, the MOF held 127,361,764,737 shares of the Bank, accounting for 39.21% of the total share capital of the Bank.

Huijin

Huijin was established through state investment in accordance with the Company Law of the PRC on 16 December 2003 as a wholly state-owned company with a registered capital of RMB828,209 million. The organizational code of Huijin is 71093296-1 and its legal representative is Mr. DING Xuedong. The State Council has authorized Huijin to make equity investments in major state-owned financial enterprises to preserve and appreciate the value of these invested ventures. Huijin, to the extent of its capital contribution, can exercise rights and assume obligations as an investor on behalf of the state. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial enterprises which are controlled by Huijin.

As Huijin cannot provide its audited financial statements for 2013 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2012. At 31 December 2012, the total assets of Huijin amounted to RMB2,363,604,890.6 thousand, total liabilities was RMB149,769,242.8 thousand and the owners' equity was RMB2,213,835,647.8 thousand in total. The net profit for 2012 was RMB398,395,813.4 thousand. The net cash flows generated from operating activities, investing activities and financing activities for 2012 amounted to RMB39,391,118.4 thousand.

As of 31 December 2013, the shareholdings of Huijin in its investees were as follows:

No.	Name of Institution	Shareholding of Huijin[1]
1	China Development Bank Corporation	47.63%
2	Industrial and Commercial Bank of China Limited[2]	35.33%
3	Agricultural Bank of China Limited[2]	40.28%
4	Bank of China Limited[2]	67.72%
5	China Construction Bank Corporation[2]	57.26%
6	China Everbright Bank Company Limited[2]	41.66%[3]
7	China Export & Credit Insurance Corporation	73.63%
8	China Reinsurance (Group) Corporation	84.91%
9	New China Life Insurance Company Limited[2]	31.34%
10	China Jianyin Investment Limited	100.00%
11	China Galaxy Financial Holding Co., Ltd.	78.57%
12	Shenyin & Wanguo Securities Co., Ltd.	55.38%
13	China International Capital Corporation Limited	43.35%
14	China Securities Co., Ltd.	40.00%
15	China Investment Securities Co., Ltd.	100.00%
16	China Everbright Industry Group Limited	100.00%
17	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
18	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: 1. The shareholdings of Huijin in its investees were the same as the proportion of its voting rights.
2. Refers to companies whose shares are listed in both A-share and H-share markets.
3. The shareholding of Huijin in China Everbright Bank Company Limited decreased to 41.24% upon the exercise of over-allotment option under the H share offering of China Everbright Bank Company Limited in January 2014 and the performance of the obligation to reduce shareholdings in state-owned investees by Huijin.

Huijin increased its shareholding of the Bank's A shares through acquiring shares via the trading system of the Shanghai Stock Exchange from 10 October 2012. From 10 October 2012 to 9 April 2013, Huijin had cumulatively increased its shareholding of the Bank's A shares by 231,439,773 shares, accounting for approximately 0.071% of the total share capital of the Bank. Immediately following the share acquisition, Huijin held a total of 130,652,527,175 shares of the Bank, accounting for 40.23% of the total share capital of the Bank. From 13 June 2013, Huijing further increased its shareholding of the Bank's A shares through acquiring shares via the trading system of the Shanghai Stock Exchange. From 13 June 2013 to the end of the reporting period, Huijin had cumulatively increased its shareholding of the Bank's A shares by 179,463,107 shares, accounting for approximately 0.06% of the total share capital of the Bank. As of the end of the reporting period, Huijin held 130,831,990,282 shares of the Bank, accounting for 40.28% of the total share capital of the Bank.

Except for MOF and Huijin, as of 31 December 2013, there was no other corporate shareholder who held more than 10% equity interest in the Bank.

Interests and short positions in shares and underlying shares held by substantial shareholders and other persons

As of 31 December 2013, the Bank received notifications from the following persons regarding their interests or short positions in shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/ nominee[1]	138,682,352,926 (A shares)[2]	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares)[3]	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled entity[4]	6,816,775,000 (H shares)	Long position	22.18	2.10
Qatar Holding LLC	Beneficial owner	6,816,775,000 (H shares)	Long position	22.18	2.10
Capital Research and Management Company	Investment manager	3,701,373,000 (H shares)	Long position	12.04	1.14
The Capital Group Companies, Inc.	Interests of controlled entity	2,165,403,000 (H shares)	Long position	7.04	0.67
Citigroup Inc.	Interests of controlled entity;	2,256,053,782 (H shares)	Long position	7.34	0.69
	custodian — corporation/ approved lending agent;	306,970,279 (H shares)	Short position	1.00	0.09
	security interest	2,111,318,895 (H shares)	Lending pool	6.87	0.65
JPMorgan Chase & Co.	Beneficial owner	1,555,771,020 (H shares)	Long position	5.06	0.48
	Investment manager	152,142,808 (H shares)	Short position	0.49	0.05
	custodian — corporation/ approved lending agent	809,215,277 (H shares)	Lending pool	2.63	0.25
Blackrock, Inc.	Interests of controlled entity	1,845,823,204 (H shares)	Long position	6.00	0.57
		121,000 (H shares)	Short position	0.00	0.00

Notes: 1. *10,976,470,582 A shares are held by the SSF but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China Limited issued by the MOF on 5 May 2010.*

2. *According to the register of shareholders of the Bank as of 31 December 2013, the MOF held 127,361,764,737 A shares of the Bank, accounting for 43.31% and 39.21% of the issued A shares and the total issued shares of the Bank, respectively.*

3. *According to the register of shareholders of the Bank as of 31 December 2013, Huijin held 130,831,990,282 A shares of the Bank, accounting for 44.49% and 40.28% of the issued A shares and the total issued shares of the Bank, respectively.*

4. *Qatar Investment Authority is deemed to be interested in 6,816,775,000 H shares of the Bank held by Qatar Holding LLC, a wholly owned subsidiary of Qatar Investment Authority.*

Basic Information

Name	Position	Gender	Age	Tenure
Incumbent Directors				
JIANG Chaoliang	Chairman, Executive Director	Male	56	2012.01–2015.01
ZHANG Yun	Vice Chairman, Executive Director, President	Male	54	2012.01–2015.01
GUO Haoda	Executive Director, Executive Vice President	Male	56	2012.12–2015.12
LOU Wenlong	Executive Director, Executive Vice President	Male	56	2012.12–2015.12
SHEN Bingxi	Non-executive Director	Male	62	2012.01–2015.01
LIN Damao	Non-executive Director	Male	59	2012.01–2015.01
CHENG Fengchao	Non-executive Director	Male	54	2012.01–2015.01
LI Yelin	Non-executive Director	Male	60	2011.07–2014.07
XIAO Shusheng	Non-executive Director	Male	58	2012.02–2015.02
ZHAO Chao	Non-executive Director	Male	55	2012.02–2015.02
Anthony WU Ting-yuk	Independent Non-executive Director	Male	59	2012.01–2015.01
QIU Dong	Independent Non-executive Director	Male	56	2012.01–2015.01
Frederick MA Si-hang	Independent Non-executive Director	Male	62	2011.04–2014.04
WEN Tiejun	Independent Non-executive Director	Male	62	2011.05–2014.05
Francis YUEN Tin-fan	Independent Non-executive Director	Male	61	2013.03–2016.03
Incumbent Supervisors				
CHE Yingxin	Chairman of the Board of Supervisors	Male	59	2012.01–2015.01
LIU Hong	Supervisor Representing Shareholders	Male	45	2012.01–2015.01
JIA Xiangsen	Supervisor Representing Employees	Male	58	2013.05–2016.05
ZHENG Xin	Supervisor Representing Employees	Male	55	2011.07–2014.07
ZHANG Jianzhong	Supervisor Representing Employees	Male	58	2013.05–2016.05
XIA Zongyu	Supervisor Representing Employees	Male	49	2013.05–2016.05
DAI Genyou	External Supervisor	Male	64	2012.10–2015.10
Incumbent Senior Management				
ZHANG Yun	Vice Chairman, Executive Director, President	Male	54	2009.01–
GUO Haoda	Executive Director, Executive Vice President	Male	56	2009.01–
CAI Huaxiang	Executive Vice President	Male	54	2010.02–
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	Male	54	2012.03–
LOU Wenlong	Executive Director, Executive Vice President	Male	56	2012.09–
WANG Wei	Executive Vice President	Male	51	2013.12–
LI Zhenjiang	Executive Vice President, Secretary to the Board of Directors	Male	43	2013.10–
Former Directors, Supervisors and Senior Management				
WANG Yurui	Former Supervisor Representing Employees	Male	58	2009.04–2013.05
YAN Chongwen	Former Supervisor Representing Employees	Male	61	2011.07–2013.05

Note: 1. Please refer to "Changes in Directors, Supervisors and Senior Management" in this section on the information relating to the changes in Directors, Supervisors and Senior Management.

Biography of Directors, Supervisors and Senior Management

Biography of Directors

JIANG Chaoliang   Chairman, Executive Director

Mr. JIANG Chaoliang received a Master's degree in economics from Southwestern University of Finance and Economics and is a Senior Economist. He has served as Chairman of the Board of Directors and Executive Director of the Bank since January 2012. Mr. Jiang previously served as director of the General Planning Department and general manager of the International Business Department of Agricultural Bank of China and vice director of the Banking Department of the PBOC. He used to serve concurrently as president of Shenzhen branch of the PBOC and governor of Shenzhen branch of State Administration of Foreign Exchange (the "SAFE"), and president of Guangzhou branch of the PBOC and governor of Guangdong branch of the SAFE. He was appointed as executive assistant president, director of the General Office and director of Labour Union Working Committee of the PBOC in June 2000, deputy governor of Hubei Province in September 2002, chairman of the board of directors of Bank of Communications in June 2004, and vice chairman of the board of directors and president of China Development Bank in September 2008. He used to serve concurrently as chairman of China Banking Association and member of Monetary Policy Committee of the PBOC, and now serves concurrently as chairman of China Payment and Settlement Association and a member of the board of directors of the Institute of International Finance.

Mr. Jiang is an alternate member of the 18th Central Committee of the Communist Party of China and a member of the 11th National Committee of the Chinese People's Political Consultative Conference (CPPCC).

ZHANG Yun   Vice Chairman, Executive Director, President

Mr. ZHANG Yun received a PhD in economics from Wuhan University and is a Senior Economist. He has served as Vice Chairman, Executive Director and President of the Bank since January 2009. Mr. Zhang previously served successively as deputy president of Shenzhen branch, deputy president of Guangdong branch, and president of Guangxi Autonomous Region branch of Agricultural Bank of China. Mr. Zhang was appointed as executive assistant president and general manager of Personnel Department of Agricultural Bank of China in March 2001, and executive vice president of Agricultural Bank of China in December 2001. Mr. Zhang serves concurrently as president of the County Area Banking Division, chairman of the County Area Banking Division Management Committee of the Bank, chairman of the 7th Committee of China Institute of Rural Finance, and vice chairman of National Association of Financial Market Institutional Investors.

GUO Haoda   Executive Director, Executive Vice President

Mr. GUO Haoda holds a Bachelor's degree and is a Senior Economist. He is an expert entitled to Government Special Allowance by the State Council. Mr. Guo has served as the Executive Vice President of the Bank and president of the Beijing Branch since January 2009. He served as Executive Vice President of the Bank since March 2010 and then Executive Director and Executive Vice President of the Bank since December 2012. Mr Guo previously served in several positions in Agricultural Bank of China, including vice president and then president of Suzhou Branch in Jiangsu Province, president of Shenzhen Branch and president of Jiangsu Branch. He was appointed as executive vice president of Agricultural Bank of China and president of its Beijing Branch in April 2008. Mr. Guo received the National May 1st Labour Medal in 2003. He now serves concurrently as vice chairman of All-China Environment Federation, vice chairman of China Payment and Settlement Association, a member of the State Council's Joint Conference on Combating Currency Counterfeit, a member of The State Council Leading Group of Poverty Alleviation and Development and a committee member of Western China Human Resources Development Foundation.

LOU Wenlong   Executive Director, Executive Vice President

Mr. LOU Wenlong holds a Bachelor's degree and is a Senior Economist. He has served as a member of Senior Management of the Bank since August 2012. He has served as Executive Vice President of the Bank since September 2012 and became Executive Director and Executive Vice President of the Bank since December 2012. Mr. Lou previously served as secretary of the Youth League Committee, head of Students' Affairs Division and chief of the Teaching and Researching Office of Urban Finance of Zhejiang Banking College. Mr. Lou later served in several positions in the PBOC, including secretary of Youth League Committee of the Head Office of Zhejiang Branch, vice division chief and division chief of Zhejiang Branch, director and assistant commissioner of Banking Inspection Division, Hangzhou Financial Supervision Office of Shanghai Branch, and deputy head of the supervisory team for China Construction Bank of Banking Supervision Department I. He was then appointed to several positions successively in the CBRC, including deputy director and then director of Banking Supervision Department II in September 2005, and director-general of Beijing Office in February 2009. He is now serving as a guest professor with Capital University of Economics and Business, and the vice chairman of the 7th session of the Committee of the China Institute of Rural Finance.

SHEN Bingxi   Non-executive Director

Mr. SHEN Bingxi received a PhD in economics from Renmin University of China and is a Research Fellow. He now works with Huijin and has served as Non-executive Director of the Bank since January 2009. Mr. Shen previously served successively as deputy director of Financial Market Division, Financial System Reform Department of the PBOC; director of System Reform Division and Currency Policy Research Division, Policy Research Office of the PBOC; director of Currency Policy Research Division, Research Department of the PBOC; and chief representative of Tokyo Representative Office of the PBOC. Mr. Shen was appointed as deputy chief of Financial Market Division of the PBOC and counsel of Financial Market Division of the PBOC. Mr. Shen was a guest research fellow at University of Tokyo, and is now an adjunct professor of Zhejiang University, University of International Business and Economics and East China University of Science and Technology.

LIN Damao   Non-executive Director

Mr. LIN Damao received a Bachelor's degree and is an Accountant. He now works with Huijin and has served as Non-executive Director of the Bank since January 2009. Mr. Lin previously served successively in several positions in the MOF, including deputy director of Foreign Economy Division, Foreign Currency and Foreign Affairs Department; deputy director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economic Cooperation Division, Foreign Currency and Foreign Affairs Department; director of Foreign Economy Division, Foreign Affairs Department; and director of Foreign Affairs Division, Department of Policies and Legislation. Mr. Lin was appointed as vice counsel of the MOF Department of Policies and Legislation in May 2001.

CHENG Fengchao   Non-executive Director

Mr. CHENG Fengchao received a PhD in management from Hunan University and is a Senior Accountant, a China Certified Public Accountant and a China Certified Asset Appraiser. He now works with Huijin and has served as Non-executive Director of the Bank since January 2009. Mr. Cheng previously served successively as vice director general, Financial Bureau of Pingquan County, Hebei Province; vice director, Administrative Office of Financial Department of Hebei Province; head of Hebei Accounting Firm; vice president and secretary-general, Hebei Institute of Certified Public Accountants; and deputy general manager, Shijiazhuang Office of China Great Wall Asset Management Corporation. Mr. Cheng was appointed as general manager, Valuation Management Department, China Great Wall Asset Management Corporation in January 2001; general manager, Tianjin Office of China Great Wall Asset Management Corporation in January 2006; and general manager, Development Research Department, China Great Wall Asset Management Corporation in August 2008. Mr. Cheng is now also serving as a guest professor of Peking University HSBC Business School, PhD supervisor of Hunan University, Master supervisor of Graduate School of the Chinese Academy of Social Sciences, Central University of Finance and Economics and Capital University of Economics and Business, and is a member of the Expert Advisory Committee for Mergers, Acquisitions and Restructurings of the CSRC.

LI Yelin   Non-executive Director

Mr. LI Yelin graduated from the Party School of the Central Committee of the Communist Party of China as an on-the-job graduate in economic management. He is a Senior Auditor and a non-practicing Certified Accountant. He is the executive director of China Audit Society. He now works with Huijin and has served as Non-executive Director of the Bank since July 2011. He served as the deputy division director and division director of the Special Commissioner's Office for Shenyang under the National Audit Office (the "NAO"). He was appointed the vice commissioner of the Special Commissioner's Office for Shenyang under the NAO in April 1993 and the vice commissioner (in charge) of the Special Commissioner's Office for Lanzhou under the NAO since December 1999. He was also appointed head (commissioner level) of the organizing team of the Special Commissioner's Office for Changchun under the NAO in April 2001 and commissioner of the Special Commissioner's Office for Shenyang under the NAO in January 2002. He had been the director of the Finance and Audit Department of the NAO since September 2006.

XIAO Shusheng Non-executive Director

Mr. XIAO Shusheng holds a Bachelor's degree and is a Senior Accountant and associate non-practice member of Chinese Institute of Certified Public Accountants. He now works with Huijin and has served as Non-executive Director of the Bank since February 2012. Mr. Xiao started working with the MOF in 1982, and served successively as vice director and director in the MOF Department of Accounting; director of Registration Department and General Division, Chinese Institute of Certified Public Accountants, vice secretary-general of Chinese Institute of Certified Public Accountants and vice director and director of the MOF Accountants Qualification Appraisal Center.

ZHAO Chao Non-executive Director

Mr. ZHAO Chao holds a Bachelor's degree and is a Statistician. He currently works with Huijin and has served as Non-executive Director of the Bank since February 2012. Mr. Zhao started working with the Bureau of Statistics of Shanxi Province in 1982, and served successively as vice director of Finance and Trade Division, Bureau of Statistics of Shanxi Province; director of Business and Trade Division and Legislation Division, State-owned Assets Supervision and Administration Bureau of Shanxi Province; director of Supervision and Inspection Division, Policies and Legislation Department of National State-owned Assets Supervision and Administration Bureau, director of Property Rights Legal Affairs Division, the MOF State-owned Capital Basic Management Department; counsel of Lottery Management Division, the MOF Department of Policy Planning; secretary general of the MOF General Department, vice director of the MOF Investment Appraisal and Censoring Center, and vice counsel of the MOF Department of Treaty and Law.

Anthony WU Ting-yuk Independent Non-executive Director

Mr. Anthony WU Ting-yuk is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and member of standing committee of the 12th CPPCC National Committee. He has served as Independent Non-executive Director of the Bank since January 2009. Mr. Wu previously served successively as chairman of Far East and China, Ernst & Young PLLC, chairman of the Hong Kong Hospital Authority, chairman of the Hong Kong General Chamber of Commerce and chairman of Bauhinia Foundation Research Center. Mr. Wu is currently serving as a director of the Hong Kong General Chamber of Commerce, a director of Bauhinia Foundation Research Center, chief advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd., an independent non-executive director of Fidelity Funds, an independent non-executive director of Guangdong Investment Limited, an independent non-executive director of China Taiping Insurance Holdings Company Limited, a member of Expert Advisory Committee on Public Policies under National Health and Family Planning Commission of the PRC, International Collaboration Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China, a trustee of Foundation of Oxford University and an Honorary Fellow of the Hong Kong College of Community Medicine. Mr. Wu was appointed as Justice of the Peace in 2004 and awarded Gold Bauhinia Star in 2008 by the Government of Hong Kong.

QIU Dong Independent Non-executive Director

Mr. QIU Dong received a PhD in economics and is a PhD supervisor, an expert entitled to Government Special Allowance by the State Council and a distinguished guest professor of Changjiang Scholars Program. He has served as Independent Non-executive Director of the Bank since January 2009. He served as principal of Dongbei University of Finance and Economics and a representative of the Tenth National People's Congress. He is now chairman of the academic committee of the National Accounting Research Institute of Beijing Normal University. Mr. Qiu is currently serving as member of the Appraisal Group of Philosophy, Social Science and Planning, member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council (Applied Economics), member of the Advisory Committee of the National Bureau of Statistics of the PRC; vice president of the National Accounting Society of China, vice president of the Statistical Education Society of China, vice president of the China Association of Market Information and Research; vice chairman of the National Statistical Teaching Material Editing and Censoring Committee, member of Selection Committee for Science and Technology Progress Award on Statistics of China; an adjunct PhD supervisor of Tianjin University of Finance and Economics, an adjunct professor of Zhejiang Gongshang University, Jinan University, Zhongnan University of Economics and Law, Shanxi University of Finance and Economics, Zhejiang University of Finance and Economics, Southwest University of Finance and Economics, and member of Editorial Board of Statistical Research. Currently, he is also an independent non-executive director of China Cinda Asset Management Corporation.

Frederick MA Si-hang Independent Non-executive Director

Mr. Frederick MA Si-hang received a Bachelor's degree in Arts from the University of Hong Kong. He has served as an independent non-executive director of the Bank since April 2011. Mr. Ma previously served as the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region since 2002, and Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region since 2007 until he resigned in July 2008. Mr. Ma used to serve as the managing director in the London Office of RBC Dominion Securities, managing director and Asia chief of Global Private Bank of Chase Manhattan Bank, Asia-Pacific chief executive of J.P. Morgan Private Bank, vice chairman and managing director of Kumagai Gumi (HK) Limited, chief financial officer and executive director of PCCW Limited, non-executive director of China Strategic Holdings Limited and independent non-executive director of China Resources Land Limited. Mr. Ma is currently a member of the international advisory council of China Investment Corporation, director of Husky Energy Inc., external director of COFCO Limited and external director of China Mobile Communications Corporation. He is an honorary professor of the School of Economics and Finance at the University of Hong Kong, an honorary advisor to the School of Accountancy of Central University of Finance and Economics, professor of the Institute of Advanced Executive Education of The Hong Kong Polytechnic University, an honorary professor of the Faculty of Business Administration of the Chinese University of Hong Kong and a member of the global advisory committee of the Bank of America Group. Mr. Ma is also an independent non-executive director of Aluminum Corporation of China Limited, an independent non-executive director of Hutchison Port Holdings Management Pte. Limited, an independent non-executive director of MTR Corporation Limited and a non-executive director of FWD Group. Mr. Ma was awarded Gold Bauhinia Star in 2009 and appointed as Non-official Justice of the Peace in 2010, respectively, by the Government of the Hong Kong Special Administrative Region.

WEN Tiejun Independent Non-executive Director

Mr. WEN Tiejun, received a PhD in Management from China Agricultural University. Mr. Wen is currently a deputy director of the Academic Board, the executive president of the Institute of Advanced Study of Sustainable Development and a second-grade professor of Renmin University of China, and an expert entitled to Government Special Allowance by the State Council of the PRC. He has served as an independent non-executive director of the Bank since May 2011. He used to serve concurrently as director of Rural Construction Center of Renmin University of China, director of China Rural Economy and Finance Research Institute, the executive dean of School of China Rural Construction of Southwest University and the executive dean of School of Cross-Strait Rural Construction of Fujian Agriculture and Forestry University. He has also served as a member of the National Environment Advisory Committee, ministerial adviser and advisory expert of the Ministry of Commerce, the State Forestry Administration, Beijing Province and Fujian Province of the PRC. Mr. Wen was appointed as vice president of the Chinese Association of Agricultural Economics in 2007 and a member of the Sixth Session Disciplinary Assessment Team under the Academic Degree Commission of the State Council of the PRC in 2008. He was previously deputy secretary-general of the China Society of Economic Reform and a researcher of the Research Center for Rural Economy of Ministry of Agriculture of the PRC.

Francis YUEN Tin-fan Independent Non-executive Director

Mr. Francis YUEN Tin-fan received a Bachelor's degree in economics from University of Chicago and is a member of the Shanghai Municipal Committee of Chinese People's Political Consultative Conference. He is now a non-executive vice chairman of Pacific Century Regional Developments Limited, and has served as an Independent Non-executive Director of the Bank since March 2013. Mr. Yuen previously served as chief executive of the Hong Kong Stock Exchange, vice chairman and executive director of Pacific Century Group, chairman and board representative of Pacific Century Group Japan Co., Ltd., vice chairman and executive director of PCCW Limited, vice chairman of Pacific Century Premium Developments Limited, executive chairman of Pacific Century Insurance Holdings Limited, vice chairman and executive director of Pacific Century Regional Developments Limited and a non-executive director of China Pacific Insurance (Group) Co., Ltd. and Kee Shing (Holdings) Limited (currently known as Gemini Property Investments Limited). Mr. Yuen is currently serving as an independent non-executive director of China Foods Limited and China Chengxin International Credit Rating Co., Ltd. He is also chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the advisory committee of Ortus Capital Management Limited, and a member of the board of trustees of the University of Chicago and Fudan University in Shanghai.

Biography of Supervisors

CHE Yingxin Chairman of the Board of Supervisors

Mr. CHE Yingxin holds a Bachelor's degree. He has served as the chairman of the Board of Supervisors of the Bank since January 2009. Mr. Che previously served successively as president of Lushi sub-branch of the PBOC, vice president of Luoyang branch of the PBOC and deputy governor of Luoyang branch of the SAFE; president of Sanmenxia branch of the PBOC and governor of Sanmenxia branch of the SAFE; president of Xinyang branch of the PBOC and governor of Xinyang branch of the SAFE; vice president of Henan branch of the PBOC and deputy governor of Henan branch of the SAFE; deputy director of the Inspection Bureau of the PBOC; deputy secretary of the Commission for Discipline Inspection and director of the Inspection Bureau of the PBOC; deputy secretary of Communist Party of China Central Commission for Financial Discipline Inspection; director of Financial Inspection Bureau of Ministry of Supervision; and director of Banking Supervision Department I of the CBRC. Mr. Che was appointed as assistant to chairman of the CBRC in February 2005, and chairman of the board of supervisors of Key State-owned Financial Institutions in December 2005. He currently serves in several positions, including vice chairman of the 7th session of the Committee of the China Institute of Rural Finance and director of the Dalian Committee of China Business Executives Academy.

Mr. Che is also a member of the 12th CPPCC National Committee.

LIU Hong Supervisor Representing Shareholders

Mr. LIU Hong holds a Bachelor's degree and is a Senior Economist. He has served as a supervisor representing shareholders of the Bank since January 2012. Mr. Liu previously served in several positions in the Bank, including deputy director of Labour and Wages Division and director of Wages and Benefits Division of Personnel Department, deputy president of Qingdao branch in April 2005, deputy general manager of the Personnel Department in November 2006, deputy director of the Executive Office and president and editor-in-chief of China Urban-Rural Financial News (secondary department level) in May 2010, and director of the Office of the Board of Supervisors of the Bank in July 2011.

JIA Xiangsen Supervisor Representing Employees

Mr. JIA Xiangsen graduated from a Master program in money and banking at the Chinese Academy of Social Sciences and is a Senior Economist. He has served as a supervisor representing employees of the Bank since April 2009. Mr. Jia previously served as officer and deputy section chief of the PBOC Beijing branch, and deputy director of the PBOC Fengtai District Office. Mr. Jia has served in several positions in the Bank, including vice president of Beijing Fengtai sub-branch, deputy chief of the Education Division of Beijing branch, deputy director of the Credit Cooperation Management Department of Beijing branch and deputy chief of the Science and Technology Division of Beijing branch. Mr. Jia also once served as president of Beijing Dongcheng sub-branch and assistant to president of Beijing branch. Mr. Jia was appointed as vice president of Beijing branch of the Bank in November 1994, general manager of the Corporate Banking Department of the Bank in December 2000, president of Guangdong branch of the Bank in November 2003, principal of the Audit Office of the Bank in April 2008, and chief auditor and principal of the Audit Office of the Bank in March 2010. He is concurrently serving as the deputy director-general of China Association for Promoting Technology and Finance.

ZHENG Xin Supervisor Representing Employees

Mr. ZHENG Xin graduated with a junior college diploma and is a Senior Accountant. Mr. Zheng has served as a supervisor representing employees of the Bank since July 2011. He previously served as the deputy director of the Personnel Department in the Shanghai branch of the Bank, deputy director and director of the Finance and Accounting Department and president of Xuhui Sub-branch. Mr. Zheng became vice president of Shanghai branch of the Bank in December 1996, president of Anhui branch of the Bank in December 2003 and president of Shanghai branch of the Bank in January 2007. He was appointed as general manager of the Internal Control and Compliance Department of the Bank in July 2009. He has served as general manager of the Internal Control and Legal & Compliance Department of the Bank since July 2011.

ZHANG Jianzhong Supervisor Representing Employees

Mr. ZHANG Jianzhong holds a Bachelor's degree and is a Senior Economist. Mr. Zhang has served as a supervisor representing employees of the Bank since May 2013. He used to serve in several positions in the Inspection and Supervision Office of Agricultural Bank of China, including inspector (deputy chief level) of the Case Division, head of the Economic Case Division and head of its Division I. Mr. Zhang was appointed to several positions in Agricultural Bank of China, including discipline inspection supervisor of the Inspection and Supervision Department in April 1999, vice president of Inner Mongolia branch in April 2001, deputy director of the Inspection and Supervision Department in November 2003 and president of Ningxia branch in January 2007. He was appointed as deputy secretary of the Party Discipline Committee of the Bank in September 2012, and deputy secretary of the Party Discipline Committee and general manager of the Inspection and Supervision Department of the Bank in February 2013.

XIA Zongyu Supervisor Representing Employees

Mr. XIA Zongyu holds a Master's degree and is a Senior Economist. Mr. Xia has served as a supervisor representing employees of the Bank since May 2013. He used to serve in several positions in the Executive Office of Agricultural Bank of China, including deputy chief of the General Division, deputy chief and then chief of the Policy Research Division, and chief of the Document Management Division. Mr. Xia was appointed to several positions in Agricultural Bank of China, including deputy director of the Executive Office in October 2003, principal of the Sannong Retail Banking Department in April 2008, general manager of the Sannong Retail Banking Department in July 2008 and vice president of Fujian branch in June 2009. He was appointed as principal of the Union Affairs Department in November 2012 and director of the Union Affairs Department in January 2013.

DAI Genyou External Supervisor

Mr. DAI Genyou holds a Bachelor's degree and is a Senior Economist. He is an expert entitled to Government Special Allowance by the State Council. Mr. Dai is currently the independent director of Haitong Securities Co., Ltd. and Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. He previously served in several positions in the People's Bank of China, including vice president of Anqing Branch, director of Division I of Statistics and Research Department, director of Economic Analysis Division of Statistics and Analysis Department, deputy chief of Statistics and Analysis Department, counsel of Statistics and Analysis Department (bureau level, during the term of which he concurrently served as deputy head of the Finance and Trade Team, Central Leading Group on Finance and Economic Affairs of Central Committee of the Communist Party of China), chief of Monetary Policy Department and secretary-general of Monetary Policy Committee, director of Credit Information System Bureau and Credit Reference Centre, and director of Credit Reference Centre. He retired from the PBOC in March 2010.

Biography of Senior Management

For detailed biographies of Mr. ZHANG Yun, Mr. GUO Haoda, Mr. LOU Wenlong, please see the section headed "Biography of Directors". The biographies of other Senior Management members are as follows:

CAI Huaxiang Executive Vice President

Mr. CAI Huaxiang received a Master's degree in engineering from China University of Geosciences and is a Senior Economist. He has served as executive vice president of the Bank since February 2010. Mr. Cai previously served successively as deputy director of the Personnel Bureau of China Development Bank; president of Nanchang branch and Jiangxi branch of China Development Bank; general manager of Operation Department of China Development Bank and president of Beijing branch of China Development Bank. Mr. Cai was appointed as vice president of China Development Bank Corporation in September 2008.

GONG Chao Executive Vice President and Secretary of the Party Discipline Committee

Mr. GONG Chao received a Master's degree in Economics from Xi'an Jiaotong University and is a Senior Economist. He has served as Secretary of the Party Discipline Committee of the Bank since December 2011 and as Executive Vice President and secretary of the Party Discipline Committee of the Bank since March 2012. Mr. Gong previously served as the deputy director of the human resources department of Agricultural Development Bank of China, deputy director of the Administrative Affairs Department and the Executive General Office of the SSF, and vice president of the Beijing branch of Agricultural Development Bank of China. Mr. Gong was appointed as general manager of the human resources department of Agricultural Development Bank of China in September 2006.

WANG Wei Executive Vice President

Mr. WANG Wei received a Master's degree in economics from Nanjing Agricultural University and is a Senior Economist. He has served as a member of Senior Management of the Bank since December 2011 and an Executive Vice President of the Bank since December 2013. Mr. Wang previously served as deputy president of Ningxia branch, deputy president of Gansu branch, president of Gansu branch, president of Xinjiang branch and president of Xinjiang Production and Construction Corps branch, director of the General Office of the Bank and president of Hebei branch, general manager of the Internal Control and Compliance Department and the general manager of the Human Resources Department. He was appointed as chief officer of the county area business and general manager of the Human Resources Department of the Bank in April 2011. He is concurrently the vice chairman of the fourth committee of Chinese Society of Ideological and Political Work and a member of the fourth national standing committee of Chinese Financial Association.

LI Zhenjiang Executive Vice President, Secretary to the Board of Directors

Mr. LI Zhenjiang received a PhD in economics from Nankai University and is a Senior Economist and an expert entitled to Government Special Allowance by the State Council. He has served as Executive Vice President and secretary to the Board of Directors of the Bank since October 2013. Mr. Li previously served successively as chief of Policy Research Division of the PBOC General Administration Department and vice director of the Integrated Management Department of the PBOC Shanghai Head Office. Mr. Li was appointed as deputy director of Restructuring Office of the Bank in August 2007, director of Research Office of the Bank in January 2008, general manager of Strategic Management Department of the Bank in October 2008, secretary to the Board of Directors and managing director of the Office of Board of Directors of the Bank since January 2009.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 29 October 2012, Mr. Francis YUEN Tin-fan was elected as an Independent Non-executive Director of the Bank at the Second Extraordinary General Meeting for 2012. The qualification of Mr. Francis YUEN Tin-fan was approved by the CBRC on 8 March 2013.

Changes in Supervisors

On 7 May 2013, Mr. JIA Xiangsen, Mr. ZHANG Jianzhong and Mr. XIA Zongyu were elected as Supervisors Representing Employees of the Bank at the Employee Representatives Meeting. Mr. WANG Yurui and Mr. YAN Chongwen ceased to act as Supervisors Representing Employees of the Bank due to expiry of term and retirement, respectively.

Changes in Senior Management

On 26 September 2013, Mr. LI Zhenjiang was appointed as an Executive Vice President of the Bank at the eighth meeting of the Board of Directors for 2013. The qualification of Mr. LI was approved by the CBRC on 24 October 2013.

On 20 December 2013, Mr. WANG Wei was appointed as an Executive Vice President of the Bank at the tenth meeting of the Board of Directors for 2013. The qualification of Mr. WANG was approved by the CBRC on 30 December 2013.

On 25 March 2014, Mr. ZHU Gaoming was appointed concurrently as secretary of the Board of Directors, and company secretary and authorized representative of the Bank at the second meeting of the Board of Directors for 2014. The qualifications of Mr. ZHU as secretary of the Board of Directors, and company secretary and authorized representative of the Bank are subject to the approvals from the CBRC and the Hong Kong Stock Exchange, respectively.

Annual Remuneration

The Bank has formulated specific remuneration policies and continued to refine the performance assessment system and incentive management mechanism for Directors, Supervisors and Senior Management. The remuneration of Directors, Supervisors and Senior Management during 2013 is set out in the table below.

Unit: RMB Ten Thousand

Name	Position	Remuneration paid (before tax) (1)	Contribution to all kinds of social insurance, housing fund, etc. (2)	Salary of part-time positions (3)	Total remuneration before tax (4)=(1)+(2)+(3)	Remuneration received from equity holder
JIANG Chaoliang	Chairman, Executive Director	86.90	26.46	—	113.36	—
ZHANG Yun	Vice Chairman, Executive Director, President	81.41	24.50	—	105.91	—
GUO Haoda	Executive Director, Vice President	69.45	23.51	—	92.96	—
LOU Wenlong	Executive Director, Vice President	69.45	23.51	—	92.96	—
SHEN Bingxi	Non-executive Director	—	—	—	—	78
LIN Damao	Non-executive Director	—	—	—	—	78
CHENG Fengchao	Non-executive Director	—	—	—	—	78
LI Yelin	Non-executive Director	—	—	—	—	75
XIAO Shusheng	Non-executive Director	—	—	—	—	75
ZHAO Chao	Non-executive Director	—	—	—	—	75
Anthony WU Ting-yuk	Independent Non-executive Director	—	—	41.00	41.00	—
QIU Dong	Independent Non-executive Director	—	—	44.00	44.00	—
Frederick MA Si-hang	Independent Non-executive Director	—	—	35.00	35.00	—
WEN Tiejun	Independent Non-executive Director	—	—	36.00	36.00	—
Francis YUEN Tin-fan	Independent Non-executive Director	—	—	29.49	29.49	—
CHE Yingxin	Chairman of the Board of Supervisors	76.20	24.11	—	100.31	—
LIU Hong	Supervisor Representing Shareholders	—	—	—	—	—
JIA Xiangsen	Supervisor Representing Employees	—	—	3.00	3.00	—
ZHENG Xin	Supervisor Representing Employees	—	—	3.00	3.00	—
ZHANG Jianzhong	Supervisor Representing Employees	—	—	1.75	1.75	—
Xia Zongyu	Supervisor Representing Employees	—	—	1.75	1.75	—
DAI Genyou	External Supervisor	—	—	28.00	28.00	—
CAI Huaxiang	Executive Vice President	69.45	23.51	—	92.96	—
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	69.45	23.51	—	92.96	—
WANG Wei	Executive Vice President	69.45	23.51	—	92.96	—
LI Zhenjiang	Executive Vice President, Secretary to the Board of Directors	63.92	23.37	—	87.29	—

Notes:

1. *The Directors, Supervisors and Senior Management members of the Bank who are also our employees are entitled to receive emoluments from the Bank. The emoluments include salary, bonus and contributions to all kinds of social insurance and housing fund, etc. from the Bank. The Independent Non-executive Directors of the Bank are entitled to receive salaries and allowances. The External Supervisors of the Bank are entitled to receive allowances. The Chairman, Executive Directors and Senior Management members did not receive any remuneration from any subsidiaries of the Bank.*
2. *Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao, our Non-executive Directors, were not entitled to receive any remuneration from the Bank.*
3. *The remuneration of Mr. Francis YUEN Tin-fan for holding the position of Independent Non-executive Director of the Bank in 2013 was based on his actual terms of office.*
4. *Mr. LIU Hong was not entitled to receive any salary of part-time position from the Bank in 2013 as our Supervisor Representing Shareholders.*
5. *The remunerations of Mr. ZHANG Jianzhong and Mr. XIA Zongyu for holding the positions as Supervisors Representing Employees of the Bank in 2013 were based on their actual terms of office.*
6. *Each of Mr. WANG Yurui and Mr. YAN Chongwen received remuneration of part-time positions of RMB12,500, respectively, for their terms of office in 2013.*
7. *The total remuneration paid to the Directors, Supervisors and Senior Management by the Bank in 2013 was RMB10.9716 million.*
8. *Please refer to "Note IV.7. Emoluments of Directors, Supervisors, Senior Managements and the Highest Paid Individuals" to the financial statements for Director's retirement benefits and additional information in relation to the remuneration of Directors, Supervisors and Senior Management.*

According to requirements of the relevant government authorities, the final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other Senior Management members for the year 2013 is still subject to confirmation. A separate announcement will be published to disclose the details of remuneration.

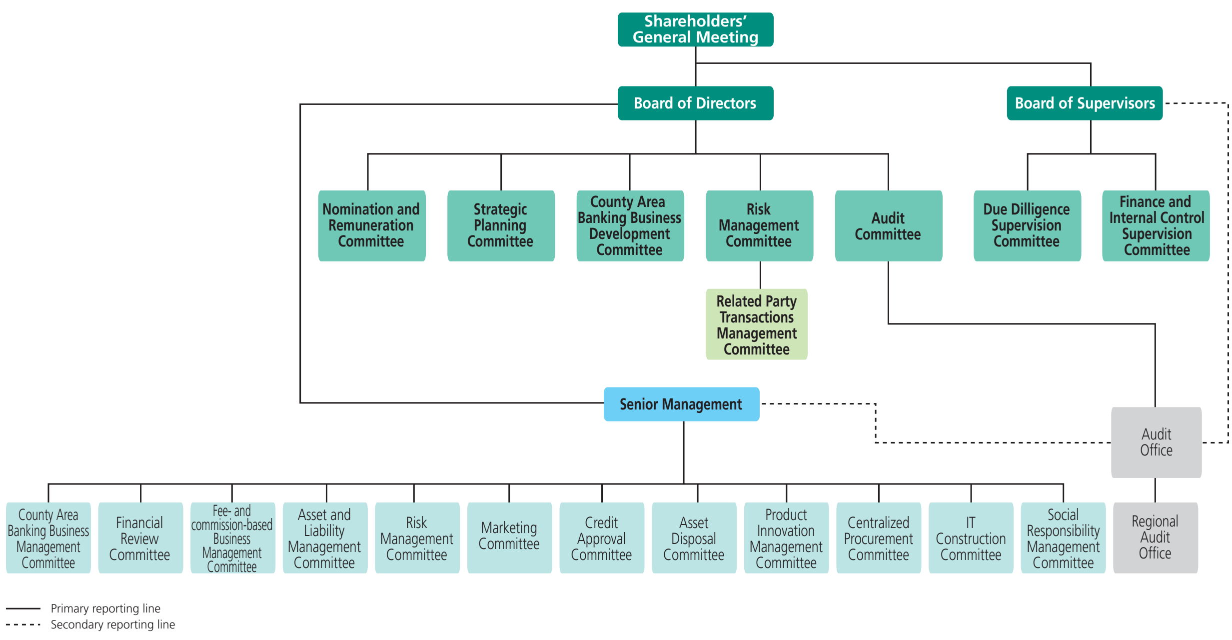
Except Mr. ZHENG Xin, our Supervisor, who held 500,000 A shares of the Bank, none of the other Directors, Supervisors and senior management members held any shares of the Bank. During the reporting period, none of the Directors, Supervisors and Senior Management members of the Bank held share options or were granted restricted shares of the Bank.

Corporate Governance

Corporate governance is regarded as a cornerstone of risk resistance, returns enhancement and sustainable development of the Bank. We have persistently adhered to the strategic aim of developing the Bank into a first-class commercial bank, fully followed the corporate governance concept of modern commercial banks, continuously enhanced our corporate governance mechanism and further improved the standardization and effectiveness of our corporate governance practices.

During the reporting period, we strictly complied with laws, rules and regulations of the places of business and regulatory requirements of the places where the Bank's shares are listed. We amended *the Scheme of Authorization to the Board of Directors by Shareholders' General Meeting and the Scheme of Authorization to the President by the Board of Directors*, supplemented and adjusted the composition of the Board of Directors and the special committees thereof, appointed new supervisor representing employees and conducted the performance evaluation of the Board of Directors, the Senior Management and their respective members. We further improved our information disclosure mechanism and regulated the management activities for investor relationship. Through enhancing our comprehensive risk management, internal control and compliance management, we thus continuously improved the transparency and corporate governance of the Bank.

In 2013, the Bank was awarded "Financial Platinum Corporate Award" by The Asset, a magazine in Hong Kong.



Corporate Governance Structure Chart of the Bank

Corporate Governance Code

During the reporting period, we complied with all principles and code provisions stipulated in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, saved the exceptions as addressed below.

During the period between 1 January 2013 and 7 March 2013, as the qualification of Mr. Francis YUEN Tin-fan as our Independent Non-executive Director was pending for the approval of the CBRC, the number of our Independent Non-executive Directors fell below one-third of the total number of directors, failing to meet the requirement under Rule 3.10A of the Hong Kong Listing Rules. The aforesaid requirement was fulfilled upon obtaining the approval of the CBRC on the qualification of Mr. Francis YUEN Tin-fan on 8 March 2013.

Mr. JIANG Chaoliang, the chairman of the Board of Directors was not able to attend our shareholders' general meeting held on 18 June 2013 due to other business arrangements and did not fulfill the requirement under code provision E.1.2 of the Corporate Governance Code. Please refer to "Meetings of the Board of Directors" in this annual report.

The Board of Directors has actively performed its corporate governance duties. It is responsible for formulating the amendments to the Articles of Association, Rules of Procedures of Shareholders' General Meeting and Rules of Procedures of Board of Directors, establishing the relevant corporate governance system and evaluating and improving the corporate governance of the Bank continuously. The Board of Directors has established several special committees which perform their functions strictly in accordance with the applicable requirements of corporate governance.

Board Diversity Policy

We formulated the *Diversity Policy of the Members of the Board of Directors*, which became effective upon the approval at the first meeting of our Nomination and Remuneration Committee under the Board of Directors on 27 August 2013.

The Bank considered the diversity of members of the Board of Directors as a critical factor to implement strategic activities, maintain competitive advantages and achieve sustainable development. In determining the composition of the members of the Board of Directors, we will consider the diversity of it in various aspects (including talents, skills, experience, cultural and educational background, gender, age, ethics and other factors). The Nomination and Remuneration Committee shall review the composition of the Board of Directors and make recommendations to the Board of Directors. The Nomination and Remuneration Committee shall also evaluate the implementation of diversity policy annually and review such policy when appropriate.

During the reporting period, the composition of the Board of Directors has shown diversity which was in compliance with the requirement of code provision A.5.6 of the Corporate Governance Code. We will fully consider various factors (including the talents, skills, experience and backgrounds of candidates) in selection of the Directors in the future.

Board of Directors and Special Committees

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors comprised 15 members, including four Executive Directors, namely Mr. JIANG Chaoliang, Mr. ZHANG Yun, Mr. GUO Haoda and Mr. LOU Wenlong; six Non-executive Directors, namely Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao; and five Independent Non-executive Directors, namely Mr. Anthony WU Tingyuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan. Details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

Functions of the Board of Directors

The primary functions of the Board of Directors include, but are not limited to, the followings:

- convening of the Shareholders' General Meetings and reporting to the Shareholders' General Meetings;
- implementation of the resolutions of the Shareholders' General Meetings;
- decision on development strategy (including development strategy of the County Area Banking Business);
- decision on business plan and investment plan;
- formulation of proposal of annual financial budgets and final accounts;
- formulation of profit distribution and loss appropriation plans;
- formulation of plan of increase or reduction of registered capital;
- formulation of plan of issuance of corporate bonds or other securities and listing plan;
- formulation of plan of merger, division, dissolution and changes in the corporate form of the Bank;
- formulation of plan of share repurchase;
- formulation of general management systems and policies, and supervision of the implementation of the general management systems and policies;
- formulation and improvement of the general management system of risk management and internal control of the Bank; review and approval of general risk management report and plan on allocation of risk-based capital of the Bank, and evaluation of effectiveness and improvement of risk management;
- formulation of amendments to the Articles of Association, Rules of Procedures of Shareholders' General Meetings and Rules of Procedures of Board of Directors and establishment of the relevant corporate governance system;
- assessment and improvement of the corporate governance of the Bank; and
- other functions authorized by the Shareholders' General Meetings or the Articles of Association.

Meetings of the Board of Directors

The Board of Directors shall consider matters by way of board meetings. During the reporting period, the Bank convened a total of 10 board meetings, at which 33 proposals, including the issuance of eligible capital instruments with write-down feature, the 2012 annual report, the 2012 corporate social responsibility report, and the appointment of vice presidents and the remuneration of our Directors, Supervisors and Senior Management of 2012.

The attendance of Directors at shareholders' general meetings, meetings of the Board of Directors and special committees of the Board of Directors during the reporting period is listed below:

Number of attendance in person[1]/meetings requiring attendance

			Meetings of Special Committees of the Board of Directors					
Directors	Shareholders' General Meeting	Meetings of the Board of Directors	Strategic Planning Committee	County Area Banking Business Development Committee	Nomination and Remuneration Committee	Audit Committee	Risk Management Committee	Related Party Transactions Management Committee
Executive Directors								
JIANG Chaoliang	0/1	7/10	3/4					
ZHANG Yun	1/1	10/10	4/4	3/4	2/3			
GUO Haoda	1/1	10/10	4/4	4/4				
LOU Wenlong	1/1	10/10	4/4				4/4	
Non-executive Directors								
SHEN Bingxi	1/1	10/10	4/4		3/3		4/4	
LIN Damao	1/1	10/10			3/3	6/6	4/4	
CHENG Fengchao	1/1	10/10	4/4	4/4		6/6		
LI Yelin	1/1	10/10	4/4				4/4	1/1
XIAO Shusheng	1/1	10/10	4/4	4/4			4/4	
ZHAO Chao	1/1	10/10	4/4	4/4				
Independent Non-executive Directors								
Anthony WU Ting-yuk	1/1	9/10	4/4		3/3		4/4	1/1
QIU Dong	1/1	9/10		4/4	3/3	6/6	4/4	1/1
Frederick MA Si-hang	1/1	10/10			2/3	6/6		
WEN Tiejun	1/1	9/10		2/4	3/3	4/6		
Francis YUEN Tin-fan	1/1	7/8				5/5	3/3	1/1

Note: 1. *Attendance in person includes on-site attendance and attendance by way of electronic communication, such as telephone and video conference. During the reporting period, Directors who did not attend the meetings of the Board of Directors or special committees thereof in person had appointed other Directors as proxies to attend and to vote at the meetings.*

Independence of and Performance of Duties by Independent Non-executive Directors

As at the end of the reporting period, the qualification, number and proportion of our Independent Non-executive Directors were in compliance with the requirements of regulatory authority. Independent Non-executive Directors are not involved in any business or financial interests of the Bank or its subsidiaries and do not take any managerial position in the Bank. We have received annual independence confirmations from all Independent Non-executive Directors and confirmed their independence.

During the reporting period, our Independent Non-executive Directors duly attended the meetings of the Board of Directors and the special committees thereof and provided independent and objective advice on various material decisions (including the issuance of capital instruments, the profit distribution plan and the remuneration of our Directors, Supervisors and the Senior Management) at the meetings of the Board of Directors and related special committees by taking advantage of their professional capabilities and industrial experiences. Our Independent Non-executive Directors strengthened the communication with the Senior Management, specific departments and external auditors and thoroughly studied the operation and management of the Bank by attending significant work meetings, listening to special reports and attending seminars with external auditors. They diligently fulfilled their obligations and performed their duties, complied with the *Work Measures for Independent Directors*, provided strong support to the Board of Directors to make rational decisions and protected the interests of the Bank and its shareholders as a whole. We highly value the relevant opinions and advice of Independent Non-executive Directors and adopted such opinion and advice based on our actual situation.

During the reporting period, no objection was made to the resolutions of the Board of Directors or special committees by Independent Non-executive Directors. Details of the performance of Independent Directors were disclosed in the *Working Report of Independent Directors for the Year*, which was published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

Special Committees of the Board of Directors

The Board of Directors established the Strategic Planning Committee, the County Area Banking Business Development Committee, the Nomination and the Remuneration Committee, the Audit Committee[1] and the Risk Management Committee (which established the Related Party Transactions Management Committee thereunder). During the reporting period, the Board of Directors made the following adjustments to the composition of the special committees of the Board of Directors: Mr. Francis YUEN Tin-fan was appointed as a member of the Audit Committee, the Risk Management Committee and the Related Party Transactions Management Committee.

1 *As approved by the second meeting of the Board of Directors of 2014 held on 25 March 2014, "Audit Committee" has renamed as "Audit and Compliance Committee" and descriptions on new duties on case prevention and compliance management stipulating "to consider and approve the overall policies for case prevention and to clearly identify the relevant duties and authorities; to review and supervise the case prevention of the Bank and review relevant work report; to assess and evaluate the effectiveness of risk prevention and to promote the establishment of case prevention management system." will be added into its terms of reference.*

Strategic Planning Committee

At the end of the reporting period, the Strategic Planning Committee of the Board of Directors comprised 10 Directors, including Mr. JIANG Chaoliang, the Chairman, Mr. ZHANG Yun, the Vice Chairman, Mr. GUO Haoda and Mr. LOU Wenlong (both are Executive Directors), Mr. SHEN Bingxi, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao (all are Non-executive Directors) and Mr. Anthony WU Ting-yuk (Independent Non-executive Director). Mr. JIANG Chaoliang, the Chairman, has been appointed as Chairman of the Strategy Planning Committee. The primary duties of the Strategic Planning Committee are to review the overall development strategy and specific strategic development plans, major investment and financing plans, mergers and acquisitions plans and other material matters critical to the development of the Bank and make suggestions to our Board of Directors.

During the reporting period, the Strategic Planning Committee convened four meetings and considered 10 proposals including the operating plan for 2014, the financial final account of 2012, the profit distribution plan of 2012 and the issuance of eligible capital instruments with write-down feature. It also has provided useful opinions and recommendations on the implementation of three-year reform and development plan, the improvement of capital planning and the implementation of annual operating plan and investment budget.

County Area Banking Business Development Committee

At the end of the reporting period, the County Area Banking Business Development Committee of the Board of Directors comprised seven Directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. GUO Haoda (Executive Director), Mr. CHENG Fengchao, Mr. XIAO Shusheng, Mr. ZHAO Chao (all are Non-executive Directors), Mr. QIU Dong and Mr. WEN Tiejun (both are Independent Non-executive Directors). Mr. ZHANG Yun, the Vice Chairman, is Chairman of the County Area Banking Business Development Committee. The primary duties of the County Area Banking Business Development Committee are to review the strategic development plan, policies, basic management rules and the risk strategic plan of the County Area Banking Business and other major matters critical to the development of the County Area Banking Business. It is also responsible for monitoring the implementation of our County Area Banking Business strategic plan, policies and basic management rules, evaluating the services for customers of County Area Banking Business, and making suggestions to the Board of Directors.

During the reporting period, the County Area Banking Business Development Committee convened four meetings and reviewed seven reports in relation to the operating forecast of the County Area Banking Division, and business operation of the County Area Banking Division. It has conducted thorough in-depth discussion and studies on the operation and management of our County Area Banking Division, the grant of credit and our cost allocation, and it also provided useful opinion and recommendation therefor.

Nomination and Remuneration Committee

At the end of the reporting period, the Nomination and Remuneration Committee of the Board of Directors comprised seven Directors, including Mr. ZHANG Yun, the Vice Chairman, Mr. SHEN Bingxi and Mr. LIN Damao (both are Non-executive Directors), Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick Ma Si-hang and Mr. WEN Tiejun (all are Independent Non-executive Directors). Mr. QIU Dong is chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee are to formulate standards and procedures for election of directors, chairmen and members of board committees and senior management members and submit the proposed candidates and their qualifications to the Board of Directors for approval, and to formulate the remuneration packages for directors, supervisors and senior management members, and submit the same to the Board of Directors for approval.

During the reporting period, the candidates of Directors were nominated by the Board of Directors by proposal with written materials, including their respective profiles, and were elected at the Shareholders' General Meeting.

When nominating candidates of Directors, the Nomination and Remuneration Committee mainly takes into account their qualifications, their compliance with laws, administrative regulations, rules and the Articles of Association, their capability of due diligence, their understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors of the Bank and based on the requirement of the diversity of composition of the Board of Directors. The quorum of the meeting of the Nomination and Remuneration Committee shall be more than half of all its members. A resolution shall be passed by more than half of votes of all its members.

During the reporting period, the Nomination and Remuneration Committee convened three meetings and considered five proposals including the remuneration policy for our Directors, Supervisors and Senior Management of 2012 and the appointments of vice presidents.

Audit Committee

At the end of the reporting period, the Audit Committee of the Board of Directors comprised six Directors, namely Mr. LIN Damao and Mr. CHENG Fengchao (both are Non-executive Directors), Mr. Frederick MA Si-hang, Mr. QIU Dong, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan (all are Independent Non-executive Directors). Mr. Frederick MA Si-hang is Chairman of the Audit Committee. The primary duties of the Audit Committee are to supervise, inspect and review our internal audit, financial information and internal control, and to make suggestions to the Board of Directors.

The performance of the Audit Committee was disclosed in *The Annual Performance Report of Audit Committee*, which was published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

Risk Management Committee

At the end of the reporting period, the Risk Management Committee of the Board of Directors comprised eight Directors, including Mr. LOU Wenlong (Executive Director), Mr. SHEN Bingxi, Mr. LIN Damao, Mr. LI Yelin and Mr. XIAO Shusheng (all are Non-executive Directors) and Mr. Anthony WU Ting-yuk, Mr. QIU Dong and Mr. Francis YUEN Tin-fan (all are Independent Non-executive Directors). Mr. Anthony WU Ting-yuk is Chairman of the Risk Management Committee. The primary duties of the Risk Management Committee are to review our risk strategy, risk management policies, risk management reports and proposals on deployment of risk-based capital, supervise and assess the performance of relevant senior management members and risk management departments in respect of risk management, and to make suggestions to the Board of Directors.

During the reporting period, the Risk Management Committee convened four meetings and considered four proposals including the application of implementing *Advanced Measures on Capital Management* and *Administrative Measures on Information Disclosure of Capital Adequacy Ratio*. It also listened to seven reports in relation to the overall risk status of the Bank and the implementation and verification policies of IRB system. The Risk Management Committee investigated on the overall risk status of the Bank regularly and provided reasonable recommendation on the formulation and implementation of our risk management plans, the implementation of the New Basel Accord and the improvement of our overall risk management.

Related Party Transactions Management Committee

At the end of the reporting period, the Related Party Transactions Management Committee of the Board of Directors comprised four Directors, including Mr. LI Yelin (Non-executive Director), Mr. Anthony WU Ting-yuk, Mr. QIU Dong and Mr. Francis YUEN Tin-fan (all are Independent Non-executive Directors). Mr. Anthony WU Ting-yuk is Chairman of the Related Party Transactions Management Committee. The primary duties of the Related Party Transactions Management Committee are to identify related parties of the Bank, review our general management system for related party transactions, review and record the related party transactions, and make suggestions to our Board of Directors.

During the reporting period, the Related Party Transactions Management Committee convened one meeting and reviewed the proposal of list of related parties of the Bank and listened to report in relation to our management of related party transactions. The Related Party Transactions Management Committee reviewed and approved the information of related parties of the Bank and provided constructive recommendations on the management of our related parties and our related party transactions.

Specific Statement and Independent Opinions of Independent Non-executive Directors on the Guarantee Business of the Bank

Specific Statement and Independent Opinions of Independent Non-executive Directors on the Guarantee Business of the Bank

Pursuant to the relevant provisions set forth in the "Notice Regarding Certain Issues of Regulating Fund Transfers Between Listing Companies and Their Related Parties and the Guarantee Business of Listing Companies" (Zheng Jian Fa [2003] No. 56) issued by the CSRC and the relevant requirements of the Shanghai Stock Exchange, as the Independent Non-executive Directors of Agricultural Bank of China Limited, we have reviewed the guarantee business of the Bank based on the principles of justice, fairness and objectivity, and issue our specific statements and opinions as follows:

According to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBRC as one of the ordinary businesses of the Bank. As of 31 December 2013, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Bank) amounted to RMB191,073 million.

The Bank has attached great importance to the risk management of the guarantee business and formulated strict requirements in respect of the credit position of guaranteed parties and the operational procedure and approval process of the guarantee business. We believe that the Bank's controls on the guarantee business are effective.

Independent Non-executive Directors of Agricultural Bank of China Limited
Anthony WU Ting-yuk, QIU Dong, Frederick MA Si-hang, WEN Tiejun and Francis YUEN Tin-fan

Responsibilities of Directors on Financial Statements

The Directors are responsible for supervising the preparation of financial statements of each accounting period so that it can give a true and fair view of the financial position, operating results and cash flows of the Group. In preparation for the financial statements for the year ended 31 December 2013, the Directors have adopted and applied appropriate accounting policies consistently, and made judgment and estimation prudently and reasonably.

During the reporting period, the Bank complied with relevant laws and regulations and the requirements of the listing rules of places where the Bank's shares are listed, and published the annual report of 2012, and the first quarterly report, the interim report and the third quarterly report of 2013.

Training of Directors and Company Secretary

Training of Directors

In January 2013, Mr. GUO Haoda and Mr. LOU Wenlong, Executive Directors of the Bank, attended the specific training on the regulatory laws and regulations and the duties and obligations of directors organized by the domestic and Hong Kong legal advisors of the Bank.

In March 2013, Mr. Francis YUEN Tin-fan, Independent Non-executive Director of the Bank, attended the specific training on the regulatory laws and regulations and the duties and obligations of directors organized by the PRC and Hong Kong legal advisors of the Bank.

In November 2013, Mr. LIN Damao, Non-executive Director of the Bank, attended the training program organized by Beijing office of the CSRC, which included the audit of annual report and the financial standards of listed companies. Mr. XIAO Shusheng attended the training program regarding the share-based incentives organized by Beijing office of the CSRC.

In December 2013, Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng and Mr. ZHAO Chao, Non-executive Directors of the Bank, attended the training program for directors and supervisors of large commercial banks organized by the CBRC, which comprised the following special topics: Globally Systemically Important Banks and the capital regulation, the capital market pricing, the internationalization and integration of banks, the corporate governance of commercial banks and also Internet finance.

During the reporting period, all members of the Board of Directors had kept abreast of various regulatory information and latest regulatory requirements during daily performance, including the *Notice on Further Enhancement of the Management of Investor Relations of Listed Companies* issued by the Shanghai Stock Exchange and the *Guidelines on Disclosure of Inside Information* of the Hong Kong Securities and Futures Commission, as well as relevant judiciary documents regarding the fighting against illegal securities and futures transactions issued by the Supreme People's Court and the Supreme People's Procuratorate. The Bank facilitates the members of the Board of Directors to persevere with learning during their performance and strengthen their capability in respect of their daily performance by providing them with various legal documents and regulatory information.

Training of Company Secretary

During the reporting period, Mr. LI Zhenjiang, the company secretary and the secretary to the Board of Directors of the Bank, has attended relevant professional trainings, which was in compliance with the requirements under Rule 3.29 of the Hong Kong Listing Rules.

Report of the Board of Supervisors

Composition of the Board of Supervisors

The Board of Supervisors comprised seven Supervisors, including two Supervisors Representing Shareholders, namely Mr. CHE Yingxin and Mr. LIU Hong, four Supervisors Representing Employees, namely Mr. JIA Xiangsen, Mr. ZHENG Xin, Mr. ZHANG Jianzhong and Mr. XIA Zongyu, and one External Supervisor, namely Mr. DAI Genyou. The Chairman of the Board of Supervisors is Mr. CHE Yingxin. Details of the incumbent Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

Functions and Authorities and Operation of the Board of Supervisors

Main functions and authorities of the Board of Supervisors shall include without limitation, to the following:

- supervising the performance of the Board of Directors and senior management, supervising and enquiring the due diligence of Directors and senior management members, and urging Directors and Senior Management members to rectify their behaviors detrimental to the interest of the Bank;

- proposing to dismiss or initiate litigation against Directors and Senior Management members who violate laws, administrative regulations and the Articles of Association or the resolutions of the Shareholders' General Meetings;

- carrying out departure audit of Directors and Senior Management members when necessary;

- supervising the financial activities, business decisions, risk management and internal control of the Bank, and providing guidance to the work of internal auditing department;

- checking financial information including the financial reports, business reports and profit distribution plans prepared by the Board of Directors for submission to the shareholders' general meetings, and appointing certified accountants and auditors to review such information on behalf of the Bank if any problem is detected;

- supervising the implementation of strategic plans, policies and general management system for the development of the County Area Banking Business;

- submitting proposals to the shareholders' general meetings;

- nominating the supervisors representing shareholders, external supervisors and independent directors;

- formulating the amendments to the Rules of Procedures of the Board of Supervisors; and

- other functions as conferred by laws, administrative regulations, departmental rules and the Articles of Association or as authorized by the Shareholders' General Meetings.

Discussions by the Board of Supervisors take the form of the meetings of the Board of Supervisors. The meetings of the Board of Supervisors consist of regular meetings and extraordinary meetings. Regular meetings of the Board of Supervisors shall be convened at least four times each year.

The Office under the Board of Supervisors is the division for carrying out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents and minutes for those meetings.

The Bank has established the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee under the Board of Supervisors.

Due Diligence Supervision Committee

At the end of the reporting period, the Due Diligence Supervision Committee comprised four Supervisors, namely Mr. CHE Yingxin, Mr. LIU Hong, Mr. DAI Genyou and Mr. ZHANG Jianzhong. The Chairman of the Due Diligence Supervision Committee was Mr. CHE Yingxin.

The Due Diligence Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Due Diligence Supervision Committee are as follows:

- developing working plans and implementation plans regarding the supervision on the due diligence of the Board of Directors, the Senior Management, Directors and Senior Management members, and implementing thereof after approved by the Board of Supervisors;

- commenting on supervising the due diligence of the Board of Directors, the Senior Management, Directors and Senior Management members, and making suggestions to the Board of Supervisors;

- developing plans for departure audit of directors and senior management members when necessary, and organizing the implementation thereof after approved by the Board of Supervisors;

- making recommendations to the Board of Supervisors on the candidates for supervisor representing shareholders, external supervisors, independent directors and members of the special committees under the Board of Supervisors;

- drafting evaluation methods for supervisors, organizing performance assessment of supervisors and making suggestions to the Board of Supervisors;

- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, Directors and Senior Management members; and

- other matters authorized by the Board of Supervisors.

Finance and Internal Control Supervision Committee

At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised four supervisors, namely, Mr. CHE Yingxin, Mr. JIA Xiangsen, Mr. ZHENG Xin and Mr. XIA Zongyu. The Chairman of the Finance and Internal Control Supervision Committee was Mr. CHE Yingxin.

The Finance and Internal Control Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows:

- developing working plans and implementation plans regarding the supervision on the finance and internal control of the Board of Supervisors, and organizing the implementation thereof after approved by the Board of Supervisors;

- supervising the implementation of development, policies and general management systems for the County Area Banking Business strategic plans, assessing the implementation results, and making suggestions to the Board of Supervisors;

- checking the financial reports and business reports of the Bank and the profit distribution plan formulated by the Board of Directors, and making suggestions to the Board of Supervisors;

- drafting plans for supervising and inspecting financial activities, operating decisions, risk management and internal control of the Bank by the Board of Supervisors, organizing the implementation thereof after approved by the Board of Supervisors, and proposing to the Board of Supervisors on engaging external auditors for auditing the Bank's financial position if necessary;

- guiding the work of internal auditing department of the Bank;

- studying and handling issues or documents reported or provided by the Board of Directors, the Senior Management, Directors and Senior Management members; and

- other matters authorized by the Board of Supervisors.

Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors held 10 meetings and considered and approved 16 resolutions, including the annual report for 2012 and its abstract and listened to 24 specific work reports.

The Finance and Internal Control Supervision Committee held six meetings to consider and approve five resolutions, including assessment report of County Area Banking Business for 2012 prepared by the Board of Supervisors.

The Due Diligence Supervision Committee held five meetings to consider and approve four resolutions, including the 2012 due diligence performance appraisal reports of the Board of Directors, the Board of Supervisors and the Senior Management.

The attendance of Supervisors at meetings of the Board of Supervisors and its special committees during the reporting period is listed below:

Number of attendance in person[1]/meeting requiring attendance

Supervisors	Meeting of the Board of Supervisors	Special Committees under the Board of Supervisors: Due Diligence Supervision Committee	Special Committees under the Board of Supervisors: Finance and Internal Control Supervision Committee
CHE Yingxin	10/10	5/5	6/6
LIU Hong	10/10	5/5	
JIA Xiangsen	10/10		6/6
ZHENG Xin	9/10		6/6
ZHANG Jianzhong	6/6	4/5	
XIA Zongyu	5/6		6/6
DAI Genyou	10/10	5/5	

Notes: 1. Attendance in person includes on-site attendances and attendances by way of electronic communication, such as telephone and video conference.

2. For details of changes in Supervisors, please refer to "Changes in Directors, Supervisors and Senior Management" in this results announcement.

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors performed its duties in accordance with the laws, regulations, the Articles of Association of the Bank and the *Rules of Procedures of the Board of Supervisors*. It further refined the supervisory system and mechanism by constantly establishing and modifying various rules and regulations, duly performing supervisory duties, exercising its supervisory power according to law and effectively exerting its supervision and counter-balance functions in corporate governance.

Conducted due diligence supervision and improved the governance of the Board of Directors, the Board of Supervisors and the Senior Management. The Board of Supervisors of the Bank put a great emphasis on our due diligence supervision. Through strengthening the basis and adopting new measures of supervision, the Board of Supervisors was able to identify deficiencies in the performance of our Board of Directors and our Senior Management timely. It also provided suggestions by ways of resolutions of the Board of Supervisors, supervisory opinions and recommendations, quarterly inspection and analysis reports on duty performance and annual performance assessment reports. Upon attending the meetings of the Board of Directors and special committees thereof, Supervisors submitted written reports to the Board of Supervisors regarding the discussion and participation of Directors at the meetings of the Board of Directors to update the Board of Supervisors on the operation status of the Board of Directors in a timely manner. Based on the performance requirements for our Directors, our Supervisors and our Senior Management as under major regulatory guidelines, the Board of Supervisors established a matrix performance requirement table so as to improve their supervision on due diligence. The Board of Supervisors also carried out performance audits on two Senior Management members in accordance with the Articles of Association.

Focused on financial supervision to ensure the veracity of asset quality and operating performance. In compliance with the regulatory requirements of the securities regulatory commission and the stock exchanges regarding information disclosure, the Board of Supervisors reviewed periodic reports made by management and also provided independent advice and recommendations with respect to the operating plan approved by the Board of Directors, the performance evaluation indicators of the MOF, and the regulatory indicators of the CBRC. The Board of Supervisors focused on the implementation of supervision on asset quality, capital management and fixed asset management and formed specific supervisory advices to remind the Board of Directors and the Senior Management to pay attention to such issues. Such advices were proved effective. In the process of its supervision over financial reporting, the Board of Supervisors focused on their interaction and communication with our auditors. In this regard, they reviewed the results of the quarterly procedures, half-year review, and year-end audit performed by our auditors. During the presentations of these results by our auditors, the Board of Supervisors expressed their enquiries and any concerns. They also oversaw the independence of our auditors, as well as the quality of their work. The Bank conducted supervision over the County Area Banking Business and refined the annual evaluation system of the performance of our County Area Banking Business, so as to promote its steady and sound growth.

Enhanced supervision on our internal control and focused on the effectiveness of internal control in risk prevention. The Board of Supervisors closely monitored cases and material risk events, management of employee conducts and progress of rectification, so as to keep track of the cases and material risks of the Bank in a timely manner. It also convened periodic supervision meetings for reporting the risks of cases and provided recommendations on preventing and solving the risks of cases. It also supervised our Senior Management to carry out their risk prevention duties. In order to enhance the supervision on our IT system and safe operation, the Board of Supervisors carried out on-site investigation in our data center to understand the progress of operation. The Board of Supervisors focused on the establishment of internal control system and put a great effort in performing annual evaluation on our internal control so as to further improve our internal control system.

Strengthened the supervision on key sectors. The Board of Supervisors of the Bank persisted in its prudent and sound supervision approach, highlighted the focuses of its supervision and carried out special supervision on key sectors based on the economic situation and the operation and management of the Bank. In particular, the Board of Supervisors closely monitored the loans to government financing platform, the loans in relation to real estate and the loans to industries and regions with excess production capacity and provided recommendations for the attention of the Senior Management. Focusing on the "Top Ten Supervisory Items", the Board of Supervisors conducted thorough frontline investigation in various aspects including financial management, performance evaluation, credit management, employee management, corporate governance of subsidiaries, security, technology and operation, customer development, capital management and fixed assets management and provided specific supervisory opinions. The results of supervision were satisfactory. The Board of Supervisors also urged the Senior Management to focus on and to push forward the implementation of "Top Three Managements" and "Top Three Reformations".

Work of External Supervisors

During the reporting period, Mr. DAI Genyou, an external supervisor of the Bank, performed his supervisory duties in due diligence in accordance with the Articles of Association of the Bank strictly. He reviewed the relevant resolutions and attended all meetings of the Board of Supervisors and special committees thereof in person and provided professional and independent advices and opinions. Moreover, he conducted investigations on our branches and sub-branches, such as Guangdong Branch, to study the frontline operation and management. In order to enhance the corporate governance and the operation management of the Bank, he also participated in the training programs organized by the Bank and regulatory authorities to improve his performance of duty.

Independent Opinions of the Board of Supervisors

During the reporting period, the Board of Supervisors had no objection to the matters under supervision of the Bank.

By Order of the Board of Supervisors

CHE Yingxin
Chairman of the Board of Supervisors
25 March 2014

Senior Management

The Senior Management is the executive body of the Bank, which shall be accountable to the Board of Directors and is supervised by the Board of Supervisors. The division of powers between the Senior Management and the Board of Directors are in strict compliance with the Articles of Association of the Bank and other governance regulations.

According to the Articles of Association of the Bank, the President is entitled to exercise the following powers:

- taking charge of the Bank's operations and management, and organizing the implementation of the resolutions of the Board of Directors;
- conducting or authorizing other senior management members and principal officers of internal functional departments and branch offices to conduct the daily operations and management of the Bank within the scope authorized by the Board of Directors;
- drafting the fundamental management rules and policies and formulating specific rules of the Bank (excluding internal auditing rules);
- drafting the Bank's business and investment plans and implementing such plans upon approval by the Board of Directors;
- drafting plans of annual budget and final accounts, risk-based capital allotment, profit distribution and loss appropriation, increase or decrease of registered capital, issuance and listing of bond or other securities and repurchase of shares, and making suggestions to the Board of Directors;
- deciding on the set-up of the internal functional departments of the Bank, and the establishment of first-tier branches, branches and other institutions directly under the Head Office and overseas institutions of the Bank, and making suggestions to the Board of Directors;
- proposing to the Board of Directors the appointment or dismissal of the executive vice presidents and other senior management members (except secretary to the Board of Directors);
- appointing or dismissing the principal officers of internal functional departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branches;
- determining the compensation and performance appraisal of the principal officers of internal departments of the Bank (except the principal officers of internal auditing department) and the principal officers of branch offices, and conducting compensation review and performance evaluation;
- determining the salary, welfare, incentive and penalty of staff of the Bank, and deciding or authorizing the subordinate management members to appoint or dismiss staff of the Bank;
- upon the occurrence of material events in connection with business operations such as a run on the Bank, taking emergency measures, and reporting immediately to the government regulatory authorities of banking industry under the State Council, the Board of Directors and the Board of Supervisors; and

- exercising other powers conferred by the relevant laws, administrative regulations, departmental rules, and the Articles of Association of the Bank and the authorities resolved to be exercised by the President pursuant to the Shareholders' General Meeting and the Board of Directors.

During the reporting period, the Bank reviewed the implementation of the *Scheme of Authorization to the President by the Board of Directors*, and no approval was conducted beyond the President's authority.

Shareholders' General Meeting

On 18 June 2013, we held the Annual General Meeting for 2012 in Beijing, at which eight resolutions in relation to matters including the report of the Board of Directors for 2012, the report of the Board of Supervisors for 2012, the final financial accounts for 2012, the profit distribution plan for 2012, the fixed assets investment budget for 2013, the appointments of external auditors for 2013, adjustment to the Board of Directors' authority to approve investment in bonds of certain clients and issuance of eligible capital instruments with write-down feature were considered and approved. In addition, three reports, including the Work Report of Independent Directors for 2012 and the Report on the Implementation of the Plan on the Authorization of Shareholders' General Meeting to the Board of Directors for 2012 and the Report on the Management of Related Party Transactions of the Bank were listened to.

The aforesaid Annual General Meeting was convened and held in accordance with the laws and regulations and listing rules of Hong Kong and the PRC. Directors, Supervisors and the Senior Management members attended the meeting and discussed with shareholders about matters the shareholders were concerned for. The Bank published the announcement on the poll results and legal advices of the above Annual General Meeting in a timely manner in accordance with regulatory requirements. The announcement on the poll results of the Annual General Meeting was published on the website of the Hong Kong Stock Exchange on 18 June 2013, and on the website of the Shanghai Stock Exchange and in newspaper designated by the Bank for information disclosure on 19 June 2013.

Chairman and President of the Bank

Pursuant to code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association, the Chairman and President of the Bank shall be separately appointed. The Chairman shall not be held concurrently by the legal representative or the person-in-charge of the controlling shareholder of the Bank.

Mr. JIANG Chaoliang serves as the Chairman and legal representative of the Bank, and is responsible for material matters such as business strategies and overall development of the Bank.

Mr. ZHANG Yun serves as the Vice Chairman and the President of the Bank and is responsible for the daily management of business operation of the Bank. The President shall be appointed by, and is accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

The roles of Chairman and President are separate and independent, with clear division of responsibilities.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirm that they have complied with such code of conduct throughout the year ended 31 December 2013.

Terms of Directors

The Bank strictly complies with the requirements of the Hong Kong Listing Rules and its Articles of Association that the directors shall be elected in the shareholders' general meetings with a term of three years commencing from the date of approval by the CBRC. A director may serve consecutive terms if re-elected upon the expiration of his/her term, and the consecutive term shall be commenced from the date of approval by the shareholders' general meetings. The maximum term of office of the independent non-executive directors shall be six years.

Appraisal and Incentive Mechanisms for Senior Management

For the details of appraisal and incentive systems for senior management during the reporting period, please refer to "Report of the Board of Directors — Remuneration of Directors, Supervisors and Senior Management."

Auditors' Remuneration

Pursuant to the proposal passed at the 2012 Second Extraordinary General Meeting of the Bank, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international auditors of the Bank for 2013, respectively. The Bank has engaged the above auditors to provide audit services for one year.

In 2013, a total fee of RMB123 million was paid to PricewaterhouseCoopers and its member firms by the Group for services provided to the Group, of which audit service fee was RMB108 million, internal control audit service fee was RMB11.5 million and non-audit service fee was RMB3.96 million.

Shareholders' Rights

Convening of Extraordinary General Meetings

The Bank protects shareholders' rights strictly in compliance with the regulatory requirements and basic corporate governance system. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank ("Requesting Shareholders") may propose to the Board of Directors to convene an extraordinary general meeting in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may propose to the Board of Supervisors to convene an extraordinary general meeting in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, it shall be deemed to have failed to convene and preside over such meeting, and shareholders who individually or jointly hold 10% or more of the Bank's shares for not less than 90 days shall be entitled to convene and preside over an extraordinary general meeting.

Enquiries to the Board of Directors

Shareholders of the Bank may put enquiries to the Board of Directors and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may inspect copies of the minutes of the shareholders' general meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes, the Bank shall send such copy within seven days after receiving reasonable fees. Shareholders who request to inspect or obtain the relevant information shall provide the Bank with written documents evidencing the class and number of shares held by them, and the Bank shall provide upon verification of such shareholder.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank ("Proposing Shareholders") may submit proposals to the shareholders' general meetings. Proposing Shareholders shall submit proposals in writing 10 days prior to the date of shareholders' general meetings.

Information Disclosure and Investor Relations

Information Disclosure

During the reporting period, the Bank was committed to fulfill the obligations of information disclosure in a truly, accurately, completely, timely and fairly manner. We strictly complied with the regulatory requirements and disclosed the periodic reports and temporary reports according to the relevant requirements in order to fulfill the demand of information from investors. We put high emphasis on strengthening the communication with investors by addressing investors' concerns in our public documents. We also improved management of inside information and insiders to maintain fairness of information disclosure and protect legal rights of the investors. While ensuring the compliance of our information disclosure, the Bank continued to enrich the channels for voluntary information disclosure and formed a voluntary information disclosure framework with characteristics having the County Area Banking Business as a standalone disclosure item, and supported by enormous operation data, supplemented with the main concerns addressed by investors and contained content in respect of corporate culture, so as to continuously enhance the pertinency and efficiency of information disclosure. In 2013, the Bank disclosed more than 190 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, including different types of periodic reports, temporary reports and corporate governance documents.

Investor Relations

In 2013, we successfully held press releases for the 2012 annual results and the 2013 interim results, as well as the reverse roadshow in Yunnan which were highly praised and recognized by the public. We shared the development strategies, operation results and highlight of our businesses with investors to enhance the recognition and confidence of the investors to our investment value and development prospects. Through receiving investors' daily visits and participating in the investment forum organized by well-known securities companies, we closely followed the capital market and maintained an effective and smooth communication with it. Moreover, we continued to update and enrich the content relating to investor relations on the website and improve various communication channels including investors' hotline and email so as to facilitate individual investors access our latest information.

In 2014, the Bank will further strengthen its communication with investors so as to enhance their understanding and endorsement of the Bank. Meanwhile, the Bank hopes to receive more support and attention from investors.

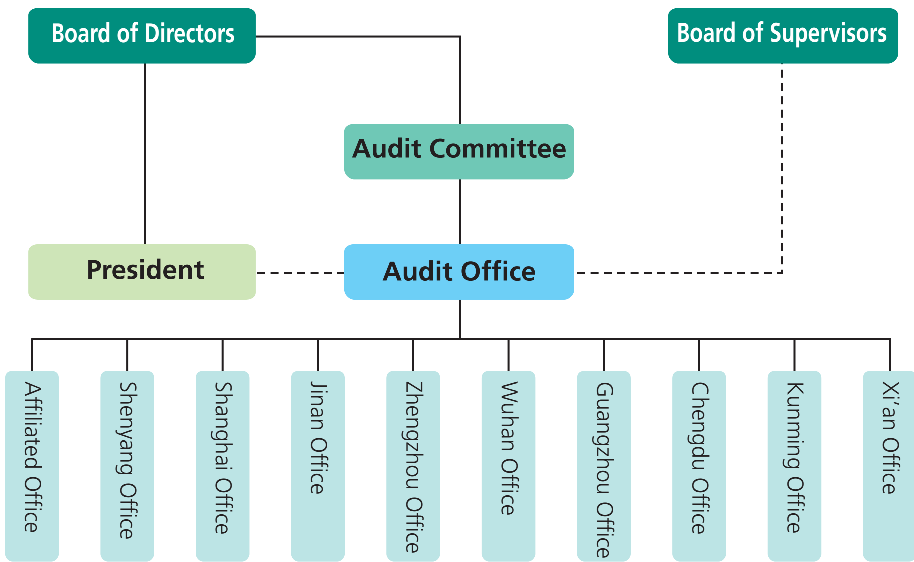
The Office of the Board of Directors is responsible for day to day affairs of the Board of Directors. If investors have any enquiries of relevant questions, or any aforesaid proposals, enquiries or resolutions, please contact:

The Board Office of Agricultural Bank of China Limited
No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China
Telephone: 86-10-85109619
Facsimile: 86-10-85108557
E-mail: ir@abchina.com

Internal Audit

We have established an independent and vertical internal audit system. The internal audit department performs audits on operations and management, business activities and operation performance of the Bank and shall be accountable to and report to the Board of Directors. The internal audit department shall follow the guidelines of the Board of Supervisors and are subject to the examination, supervision and evaluation by the Audit Committee under the Board of Directors. The internal audit department consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of internal audit works of the Bank. The regional offices under the Audit Office perform internal audit for their respective branches and shall be accountable to and report to the Audit Office.

The chart below shows the organizational structure of internal audit system of the Bank:



During the reporting period, the Bank carried out audit projects in compliance with the regulatory requirements and the strategic decisions of the Board of Directors to facilitate the effective implementation of strategic decisions of the Bank, the improvement of basics of management and the sound development of all business operations. In particular, risk audit for major businesses was carried out on certain branches, and major focus was put on the risks associated with fields including loan repayment and borrowings, loan guarantee management, non-performing loans of legal entities, fixed assets management, assets disposal management and employee behaviours. Specific audit projects in connection with the New Basel Capital Accord, IT outsourcing projects, application system, business sustainability and performance assessment and audit of some foreign branches and subsidiaries were implemented. Due diligence assessment of senior management members was carried out. We also carried out follow-up audit on the key audit projects of last year.

Principal Business

The principal business of the Bank and its subsidiaries is to provide banking and related financial services. The Bank's business operation is set out in the section headed "Discussion and Analysis — Business Review" in this annual report.

Profits and Dividends Distribution

The Bank's profits for the year ended 31 December 2013 are set out in the section headed "Discussion and Analysis — Financial Statements Analysis" in this annual report.

Upon the approval of the 2012 Annual General Meeting held on 18 June 2013, the Bank distributed cash dividend of RMB1.565 (tax included) per ten shares, amounting to RMB50,830 million (tax included) to shareholders of A shares and H shares on our registers of members at the close of business on 27 June 2013.

The Board of Directors of the Bank proposed the distribution of cash dividend of RMB1.77 (tax included) per ten shares for 2013 for a total of RMB57,489 million (tax included). The dividend distribution plan is subject to the approval of shareholders at the Annual General Meeting for 2013. Upon the approval of the Annual General Meeting for 2013, the dividend will be paid to holders of A shares and H shares with whose names appeared on the registers of members of the Bank at the close of business on the record date.

The table below sets out the Bank's cash dividend payment for the preceding three years.

In millions of RMB, except percentages

	2012	2011	2010[2]
Cash dividend (tax included)	50,830	42,710	49,616
Cash dividend payment ratio[1] (%)	35.0	35.0	52.3

Notes: 1. Cash dividend (tax included) is divided by the net profits of the reporting period attributable to equity holders of the Bank.
2. Including special dividends and cash dividends declared for the second half of 2010.

Pursuant to the "Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348), the resident individuals outside the PRC who are the shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside, and the tax arrangements between the Mainland China and Hong Kong (Macau). Resident individuals outside the PRC shall personally or through an agent authorised in writing to apply for and fulfil the relevant formalities to enjoy relevant preferential tax treatment. Since the tax rate for such dividend is generally 10% as required by relevant tax regulation and arrangements, and there is a large number of shareholders, to simplify the collection of tax, the individual shareholders will be generally subject to a withholding tax rate of 10% without making any application when domestic non-foreign invested enterprise which issue shares in Hong Kong distribute dividends to their shareholders. For situations where the tax rate for dividend is not 10%, it shall be subject to the following requirements: (1) if an individual who received a dividend is a resident of a country where the tax rate for the dividend is lower than 10%, the withholding agent can apply for relevant preferential treatment according to the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124), and upon the approval of the competent tax authority, overpaid taxes will be returned; (2) if an individual who received a dividend is a resident of a country where the tax rate for dividend is between 10% and 20%, the withholding agent shall withhold the individual's income tax at the agreed tax rate when distributing dividends, and no application should be submitted; or (3) if an individual who received a dividend is a resident of a country which has not entered into any tax treaty with the PRC or otherwise, the withholding agent shall be subject to a withholding tax rate of 20% which shall be applied when distributing the dividend.

Pursuant to the "Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises" (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, the Bank is obliged to withhold and pay enterprise income tax at the rate of 10% from dividend paid or payable for H shares when distributing dividend to non-resident enterprise shareholders of H shares.

No tax is payable in Hong Kong in respect of dividends paid by the Bank according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Bank.

Implementation of the Cash Dividend Policy

The formulation and implementation of the Bank's cash dividend policy complies with its Articles of Association and the resolutions of the shareholders' general meeting. The relevant decision making procedure and system are complete while the distribution standards and proportion are clearly stated. Independent Non-executive Directors have served their obligations and expressed their opinions. As small and medium shareholders have opportunities to fully express their opinions and appeals, their legitimate interests have been fully protected.

Reserves

The details of the changes of reserves for the year ended 31 December 2013 are set out in "Consolidated Statement of Changes in Equity" in the financial statements.

Financial Summary

The summary of operating results, assets and liabilities for the five years ended 31 December 2013 is set out in the section headed "Financial Highlights" in this annual report.

Donations

During the year ended 31 December 2013, the Bank made external donations (domestically) of RMB50.33 million.

Fixed Assets

The changes in fixed assets for the year ended 31 December 2013 are set out in "Note IV. 24 Property and Equipment" to the financial statements in this annual report.

Subsidiaries

Particulars of the Bank's principal subsidiaries as of 31 December 2013 are set out in the section headed "Discussion and Analysis — Business Review" in this annual report.

Share Capital and Public Float

As of 31 December 2013, the Bank's total share capital amounted to 324,794,117,000 shares, including 294,055,293,904 A shares and 30,738,823,096 H shares. As of the date of this annual report, the Bank maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank's listing.

Purchase, Sale or Redemption of the Bank's Shares

During the year ended 31 December 2013, the Bank and its subsidiaries did not purchase, sell or redeem any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association of the Bank. According to the Articles of Association, the Bank is entitled to increase its registered capital by issuing shares through public or non-public offering, allotting new shares to existing shareholders, transferring the capital reserve funds to increase share capital and other methods as permitted by laws, administrative regulations and relevant authorities.

Major Customers

For the year ended 31 December 2013, the five largest customers accounted for less than 30% of the interest income and other operating income of the Bank.

Use of Proceeds

The proceeds were used to strengthen the Bank's capital base to support the ongoing growth of its business in accordance with the use of proceeds disclosed in the prospectus.

Major Projects Invested by Non-raised Capital

For the year ended 31 December 2013, the Bank has no significant projects invested by non-raised capital.

Directors' and Supervisors' Interests in Material Contracts

For the year ended 31 December 2013, none of the Bank's directors or supervisors had any material interests, whether directly or indirectly, in any material contracts regarding its business to which the Bank or any of its subsidiaries was a party. None of its directors or supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors' Interests in Competing Businesses

None of the directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2013, the Bank did not grant any rights to acquire shares or debentures to any of its directors or supervisors, nor were any of such rights exercised by any of the directors or supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the directors or supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

Except for Mr. ZHENG Xin, a Supervisor who held 500,000 A Shares of the Bank, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders" in this annual report.

Related Party Transactions

We persistently promoted our management on related party transactions in compliance with domestic and overseas regulatory requirements by strengthening the management responsibilities and improving management approaches in 2013. Through perfecting the information management system of related party, we enhanced the quality of statistics with regard to related party transactions. We further promoted our internal audit work and increased our investment in establishing the information system for related party transactions. In consequence, the basis for our management was improved continuously and the level of management was also obviously enhanced. All the related party transactions were entered into in accordance with the relevant laws and regulations during the reporting period.

In 2013, we had entered into various connected transactions with connected persons of the Bank (as defined in the Hong Kong Listing Rules), which were also related party transactions as disclosed in the financial statements of this annual report. Those transactions were conducted in our ordinary course of business, and exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under either Rule 14A.31, Rule 14A.33 or Rule 14A.65 of the Hong Kong Listing Rules.

In 2013, we had extended loans to related natural person (as defined in Administrative Measures on Information Disclosure by Listed Companies issued by the CSRC). Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 31 December 2013, the total balance of loans amounted to RMB2.0776 million, and the conditions for such loans were normal.

For the related party transactions defined under accounting standards, please refer to "Note IV. 43 Related Party Transactions" to the financial statements.

Remuneration of Directors, Supervisors and Senior Management

The Bank strictly complies with the relevant regulations including the *Administrative' Measures for Approving Remuneration for Central Financial Enterprises' Responsible Personnel* promulgated by the MOF to assess and determine the remuneration of the senior management members. After the assessment, the remuneration of Senior Management shall be reviewed and approved by the Board of Directors the Bank while that of Directors and Supervisors shall be reviewed and approved by the shareholders' general meeting. For the details of the specific remuneration standards, please refer to "Directors, Supervisors and Senior Management — Annual Remuneration" of this annual report. After the annual assessment, performance-based annual remunerations of Directors, Supervisor and senior management members shall be determined according to the assessment results. 50% of the remunerations will be paid immediately and the remaining 50% will be deferred. In general, deferred payment period shall be three years. The Bank did not formulate any long-term initiative plan for Directors, Supervisors and senior management members.

Financial, Business and Family Relationship among Directors

Directors of the Bank had no relationship with each other, including financial, business, family or other material relationships.

Employee Benefit Plans

For details of employee benefit plans of the Bank, please refer to "Note IV. 6 Operating Expenses" to the financial statements.

Management Contracts

Except the service contracts of its management personnel, the Bank has not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2013, prepared in accordance with CASs and IFRSs, were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the Auditing Standards of China and International Standards on Auditing, respectively. With respect to each, an unqualified audit opinion was issued.

Implementation of Management System of Insider Information

The Bank has strictly followed the supervisory regulations by strengthening its management on insider information and controlling the risks of insider dealing during the reporting period. This is to protect the legal interests of our public investors. We also organized the implementation of self-investigation on insider transactions and completed the registration and filing of insiders in compliance with the requirements of relevant regulators. The Bank, after its self-investigation, was not aware of any dealings performed by insiders on the Bank's shares with the use of insider information.

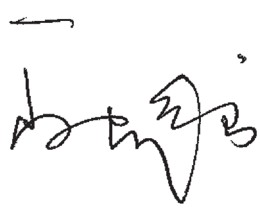
Corporate Social Responsibility

We have issued Corporate Social Responsibility Report 2013, please refer to the website of the Bank (www.abchina.com) for details.

Consumer Protection

The Bank followed the principles of complying with laws and regulations and of internal self-discipline in each stage of providing our products and services (including design and development, pricing management, formulating contracts, reviewing and approving, marketing and promotion, after-sales management and handling complaints) as required by laws, regulations and relevant supervisory authorities. This was to realize the goal that consumers would receive fair, equitable and integral treatment in each stage that they have business relationship with the Bank. The Bank further refined our institutional mechanism, department responsibilities and our working environment for protecting consumer rights during the report period. The Bank also actively participated in activities organized by the regulators and China Banking Associations, such as the "Financial Literacy Program" (an one-month banking and financial knowledge promotion event), the consumer protection knowledge contest for banking practitioners and the charity slogan and logo design competition on consumer protection of banking industry. We achieved relatively good results and in consequence gained high social recognition.

By Order of the Board of Directors



JIANG Chaoliang
Chairman
25 March 2014

Establishment of Internal Control

Responsibility Statement of Board of Directors in Respect of Internal Control

The Board of Directors of the Bank is responsible for establishing and implementing a comprehensive internal control system in an effective manner. Senior Management is responsible for the daily operation of the Bank's internal control. The Board of Supervisors is responsible for the supervision on the establishment and implementation of internal control by the Board of Directors and the Senior Management. The Board of Directors has established the Audit Committee, the Risk Management Committee and the Related Party Transactions Management Committee to fulfill the duties of internal control management and evaluate the efficiency of internal control. Each of the Head Office, tier-one branches and tier-two branches of the Bank has set up an internal control and compliance department which is responsible for the implementation and daily operations of internal control.

Basis of the Internal Control System for Financial Reports

In 2013, the Bank established a strict internal control system for financial reports based on the requirements set out in the Basic Rules on Enterprise Internal Control and its implementing measures promulgated by five departments, including the MOF, the Guidelines for Internal Control of Commercial Banks promulgated by the CBRC and the Guidelines for the Internal Control of Listed Companies of Shanghai Stock Exchange, with a view to achieving the internal control targets of the Bank.

Establishment of Internal Control System

In 2013, the Bank strictly implemented the Basic Rules on Enterprise Internal Control and its implementation measures as well as various regulatory requirements. We strengthened the frontline and basic management and continuously improved the comprehensive internal control system in line with our compliance culture and under the support of our information technologies.

The Bank further pushed forward the constitution of its compliance culture to encourage all its staffs to comply with the laws and regulations initiatively. We have also called a meeting to summarize and popularize our advanced experience in the construction of our compliance culture for the last three years. In addition, we issued the Guidelines on the Construction and Development of Compliance Culture to maintain a long-lasting mechanism for our compliance culture. The Internal Control and Legal and Compliance Department of our Head Office was honoured as "Top Ten Competitive Corporate Culture after 35 Years of Reform and Opening-up Policy" at the Domestic and Foreign Corporate Culture Summit.

The Bank made progress in its basic management solidly. We further consolidated the foundation of our business development. Efforts by the Bank are also made to create the standardization of our operation management, credit management, IT management and security. In addition, we positively established an integrated appraisal system for our frontline and basic management in each aspect.

We strengthened the management of our information system and the supervision of our compliance risks. The technological support was also continuously reinforced. We further optimized our internal control and compliance management information system to facilitate and strengthen the establishment of effective internal control, compliance management and information communication platform. Additionally, the supervision and analysis of our compliance risk for our principal business were enhanced, so as to provide better guidance to the business management, while the compliance reports were completed and submitted to relevant regulatory authorities.

The Bank steadily established its internal control and compliance management system to ensure its sustainable development. Firstly, we sustained our improvement for the construction of our regulation system by introducing the concepts and approaches of ISO9000 Quality Management. We further organized regulation documentation pilots to improve the regulation system. Secondly, we also continuously improved our quality management system. We completed the annual internal control evaluation for the departments of our Head Office and our overseas branches and urged our subsidiaries to do so as well. In consequence, we enhanced the internal control level of the Bank. We continued our improvement to our adjustment mechanism by introducing the concepts and approaches of comprehensive quality management, refining the adjustment to satisfy standards and improving our performance appraisal. Thirdly, efforts were made for establishing a well-coordinated internal supervision system through implementing inspection that is coordinated through the whole process, modifying supervision measures, formulating business supervision manual and standardizing the procedure and standards for supervision. With the refined self-inspection and self-rectification mechanism of each of our business lines, the on-site inspections carried out by our internal control department were effective and the quality of the supervision was also enhanced.

Internal Control Self-evaluation Report

The Board of Directors of the Bank has considered and approved the 2013 Internal Control Assessment Report of the Agricultural Bank of China Limited. According to the identification results regarding material deficiencies and significant deficiencies in our financial reporting internal control, there were no material deficiencies or significant deficiencies in our financial reporting internal control as of the base date of the Internal Control Assessment Report. The Board of Directors is of the view that the Bank has already sustained effective financial reporting internal control in all material aspects in accordance with the Standard for Enterprise Internal Control and relevant regulations. According to the identification results regarding material deficiencies and significant deficiencies of non-financial reporting internal control, there were no material deficiencies or significant deficiencies of non-financial reporting internal control as of the base date of the Internal Control Assessment Report. In addition, there is no occurrence of any factor that would affect the conclusion on the effectiveness of the internal control from the base date to the date of the Internal Control Assessment Report. Please visit the website of the Shanghai Stock Exchange (www.sse.com.cn) for details.

Internal Control Audit Report

PricewaterhouseCoopers Zhong Tian LLP issued an unqualified Internal Control Audit Report, based on its audit of the effectiveness of the Group's internal control over financial reporting. Please visit the website of the Shanghai Stock Exchange (www.sse.com.cn) for details.

Accountabilities for Material Errors in Annual Report

The Bank has formulated and implemented the Administrative Measures on Accountabilities for Material Errors in Annual Report Information Disclosure which specified the accountability system in relation to the material errors occurred in the information disclosed in the annual report, in order to enhance the quality and transparency of information disclosed in the annual report. During the reporting period, no rectification was required for any material accounting errors, no material omission was found and no amendment was required for any estimated results announcement.

Material Legal Proceedings, Arbitration and Media Enquiries

During the reporting period, there were no legal proceedings, arbitration or media enquiries with material impact on the business operation of the Bank.

As of 31 December 2013, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB2.612 billion. The management of the Bank believes that we have fully accrued allowance for the potential losses arising from the said legal proceedings. Such events will not have any material adverse effect on our financial position or operational results.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal and merger activities.

Implementation of Share-Based Incentive Plan

During the reporting period, the Bank did not implement any share-based incentive scheme.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transaction.

Details and Performance of Material Contracts

Material custody, contract and lease

During the reporting period, the Bank did not enter into any material custody, contracting or leasing arrangements of assets of other companies and no other companies entered into any material custody, contracting or leasing arrangements of our assets.

Material guarantees

The provision of guarantees is one of the recurring off-balance-sheet businesses of the Bank. During the reporting period, the Bank did not have any material guarantee that was required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBRC.

Occupation of Fund by Controlling Shareholders and Other Related Parties

None of our controlling shareholders or other related parties occupied any of our funds.

Change of Auditors

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were appointed as our domestic and international auditors, respectively, for 2012. According to the relevant requirements of the MOF, a state-owned financial institution shall not engage any auditor for a consecutive term of more than five years. The Bank did not reappoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu on the expiry of their term of service as auditors for the Bank. PricewaterhouseCoopers Zhong Tian LLP (previously known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company) and PricewaterhouseCoopers were appointed as our domestic and international auditors, respectively, for 2013 at the 2012 second extraordinary general meeting.

Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the reporting period, there was no investigation, administrative penalty, criticism or public denunciation from the CSRC in relation to the Bank or our directors, supervisors and senior management. None of the Bank or our directors, supervisors and senior management was subject to any penalty of other regulatory authorities which would have material effect on our operation.

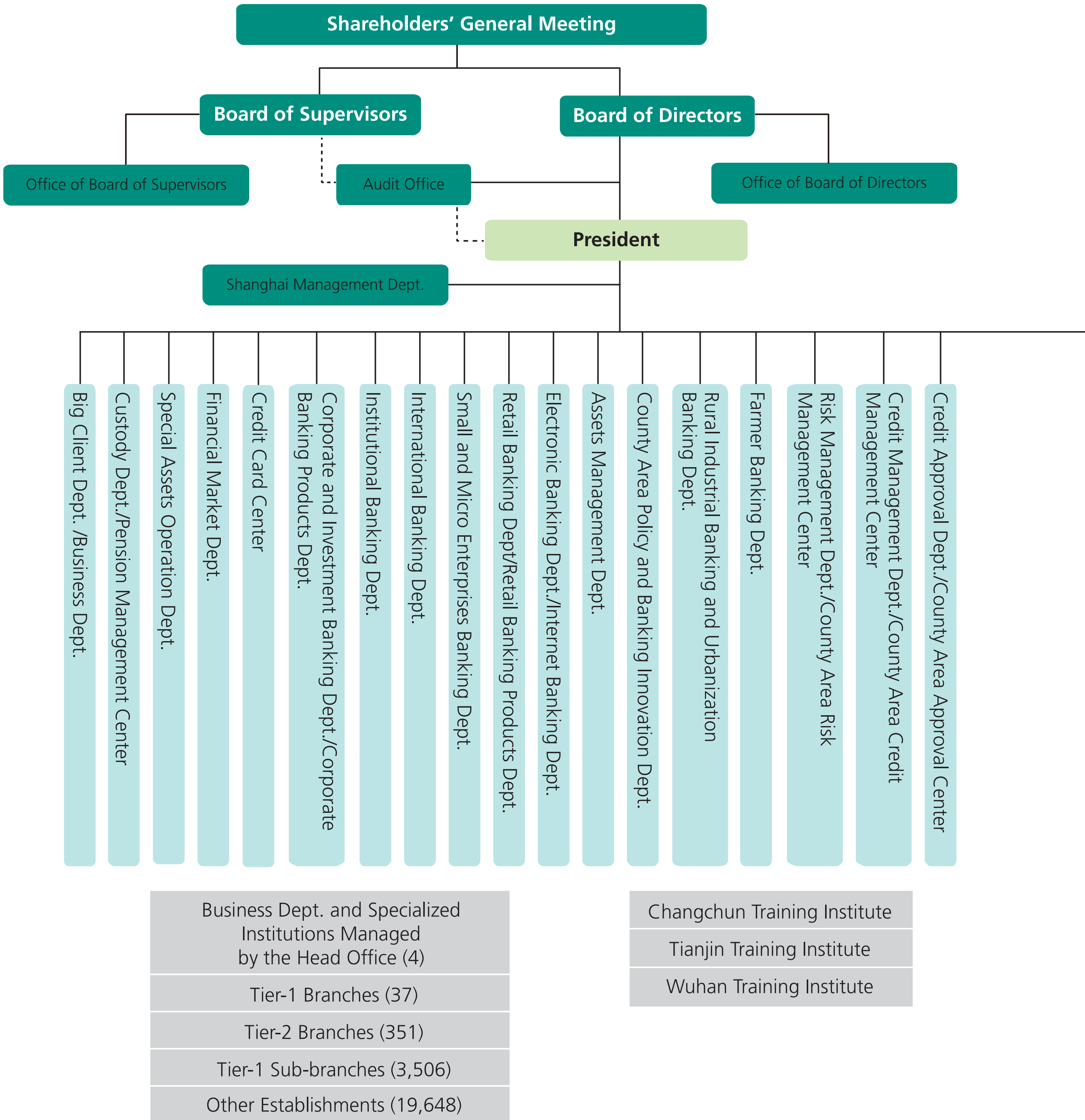
Commitments Made by the Bank or Our Shareholders Holding 5% Shares or Above

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
MOF	Lock-up of shares	No transfer of or entrusting others to manage the shares, directly or indirectly held by it, issued before the date of the initial public offering of the Bank's A shares, and no repurchase of such shares by the Bank shall be conducted within 36 months from the date of listing of the Bank's A shares. However, upon the conversion of such A shares held by it into H shares after being approved by the CSRC or the authorized securities approval authority of the State Council, such converted H shares will not be subject to the above 36-month lock-up period.	15 July 2010	15 July 2013	Completed
Huijin	Lock-up of shares	No transfer of or entrusting others to manage the shares, directly or indirectly held by it, issued before the date of the initial public offering of the Bank's A shares, and no repurchase of such shares by the Bank shall be conducted within 36 months from the date of listing of the Bank's A shares. However, upon the conversion of such A shares held by it into H shares after being approved by the CSRC or the authorized securities approval authority of the State Council, such converted H shares will not be subject to the above 36-month lock-up period. Huijin undertook to comply with the lock-up period applicable to the shares it held as the promoter of the Bank according to the applicable domestic and overseas laws and regulatory requirements.	15 July 2010	15 July 2013	Completed

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, Huijin will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities. (3) Notwithstanding the above undertaking (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial institutions, may through its investments in other companies (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies) operate or participate in any competing commercial banking activities in China or abroad. (4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial institutions, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances arising. It will exercise its shareholder's rights in our best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment to maximize the interests of our shareholders and our Company, which judgment will not be affected by its investments in other commercial banks.	15 July 2010	Valid for long-term	Continuous commitment and performed regularly

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
SSF	Lock-up of shares	The purchased shares held by the SSF are subject to a lock-up period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.	21 April 2010	21 April 2017	Not due and performed regularly

Organizational Chart



- Internal Control and Legal Compliance Center/ Anti-money Laundering Center
- Security Dept.
- Strategic Planning Dept.
- Finance and Account Dept./County Area Accounting and Assessment Center
- Asset and Liability Management Dep./County Area Capital and Funding Management Center
- Information Center
- Corporate Culture Dept.
- Technology and Product Management Office
- Operation Management Dept.
- Operation Centre
- Data Center
- Software Research and Development Center
- Administrative Bureau for the Retired
- Institutional Services Management Office
- Office/Office of Petition
- Human Resources Dept./Office of Enterprise Annuity Council/County Area Human Resources Center
- Inspection and Supervision Dept.
- Trade Union Affairs Dept.

Hong Kong branch
Singapore branch
Seoul branch
New York branch
Dubai branch
Tokyo branch
Frankfurt branch
Sydney representative office
Vancouver representation office
Hanoi representative office

ABC International Holdings Limited
China Agricultural Finance Co., Ltd.
ABC-CA Fund Management Co., Ltd.
ABC Financial Leasing Co., Ltd.
Agricultural Bank of China (UK) Limited
ABC Life Insurance Co., Ltd.
ABC Hubei Hanchuan Rural Bank Limited Liability Company
ABC Hexigten Rural Bank Limited Liability Company
ABC Ansai Rural Bank Limited Liability Company
ABC Jixi Rural Bank Limited Liability Company
ABC Xiamen Tong'an Rural Bank Limited Liability Company
ABC Zhejiang Yongkang Rural Bank Limited Liability Company

List of Domestic and Overseas Branches and Institutions

Domestic Institutions

- **BEIJING BRANCH**
ADD: 13 Chaoyangmenbei Dajie
Dongcheng District
Beijing 100010
PRC
TEL: 010-68358266
FAX: 010-61128239

- **LIAONING BRANCH**
ADD: 27 Beijing Street
Shenhe District
Shenyang Liaoning
Province 110013
PRC
TEL: 024-22550004
FAX: 024-22550007

- **ZHEJIANG BRANCH**
ADD: 55 Changqing Street
Hangzhou
Zhejiang Province 310003
PRC
TEL: 0571-87226000
FAX: 0571-87226177

- **TIANJIN BRANCH**
ADD: No. 3 6 Zijinshan Road
Hexi District
Tianjin 300074
PRC
TEL: 022-23338734
FAX: 022-23338733

- **JILIN BRANCH**
ADD: 926 Renmindajie
Changchun
Jilin Province 130051
PRC
TEL: 0431-82093605
FAX: 0431-82093517

- **ANHUI BRANCH**
ADD: 448 Changjiang Zhonglu
Hefei
Anhui Province 230061
PRC
TEL: 0551-62843475
FAX: 0551-62843573

- **HEBEI BRANCH**
ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC
TEL: 0311-87026132
FAX: 0311-87019961

- **HEILONGJIANG BRANCH**
ADD: 131 Xidazhijie
Nangang District, Harbin
Heilongjiang Province
150006
PRC
TEL: 0451-86208845
FAX: 0451-86216843

- **FUJIAN BRANCH**
ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC
TEL: 0591-87909355
FAX: 0591-87909620

- **SHANXI BRANCH**
ADD: 33 Southern Inner Ring
Street West
Taiyuan
Shanxi Province 030024
PRC
TEL: 0351-6240801
FAX: 0351-4956999

- **SHANGHAI BRANCH**
ADD: 599 Xujiahui Road
Huangpu District
Shanghai 200023
PRC
TEL: 021-53961888
FAX: 021-53961900

- **JIANGXI BRANCH**
ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC
TEL: 0791-86693775
FAX: 0791-86693972

- **INNER MONGOLIA BRANCH**
ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC
TEL: 0471-6901716
FAX: 0471-6904750

- **JIANGSU BRANCH**
ADD: 357 Hongwu Road
Nanjing 210002
PRC
TEL: 025-84577005
FAX: 025-84577017

- **SHANDONG BRANCH**
ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC
TEL: 0531-85858888
FAX: 0531-82056558

- **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong
New District
Zhengzhou
Henan Province 450016
PRC
TEL: 0371-69196826
FAX: 0371-69196724

- **HUBEI BRANCH**

ADD: Block A
Jinjin Garden
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC
TEL: 027-68875258
FAX: 027-87326693

- **HUNAN BRANCH**

ADD: 540 Furong Zhonglu
Section 1
Changsha
Hunan Province 410005
PRC
TEL: 0731-84300265
FAX: 0731-84300261

- **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong Province
510623
PRC
TEL: 020-38008185
FAX: 020-38008210

- **GUANGXI BRANCH**

ADD: 56 Jinhu Road
Nanning
Guangxi Autonomous
Region 530028
PRC
TEL: 0771-2106036
FAX: 0771-2106035

- **HAINAN BRANCH**

ADD: 26 Binhai Avenue
Haikou
Hainan Province 570125
PRC
TEL: 0898-66777728
FAX: 0898-66791452

- **SICHUAN BRANCH**

ADD: 6 Tiyuchang Road
Chengdu
Sichuan Province 610015
PRC
TEL: 028-86760366
FAX: 028-86760277

- **CHONGQING BRANCH**

ADD: 103 Xinhua Road
Yuzhong District
Chongqing 400011
PRC
TEL: 023-63551188
FAX: 023-63844275

- **GUIZHOU BRANCH**

ADD: 201 South Zhonghua Road
Guiyang
Guizhou Province 550002
PRC
TEL: 0851-5221016
FAX: 0851-5221069

- **YUNNAN BRANCH**

ADD: 1 Renmin Middle Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-3203765
FAX: 0871-3203584

- **TIBET BRANCH**

ADD: 12 East Kang'ang Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6339191
FAX: 0891-6328111-6150

- **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990813
FAX: 029-88990819

- **GANSU BRANCH**

ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

- **QINGHAI BRANCH**

ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145208
FAX: 0971-6114575

- **NINGXIA BRANCH**

ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous
Region 750001
PRC
TEL: 0951-6027614
FAX: 0951-6027430

- **XINJIANG BRANCH**

ADD: 66 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2369407
FAX: 0991-2815229

- **XINJIANG PRODUCTION AND CONSTRUCTION CORPS BRANCH**

ADD: 173 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2217109
FAX: 0991-2217300

- **DALIAN BRANCH**

ADD: 10 Zhongshan Road
Zhongshan District
Dalian
Liaoning Province 116001
PRC
TEL: 0411-82510089
FAX: 0411-82510646

- **QINGDAO BRANCH**

ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC
TEL: 0532-85802215
FAX: 0532-85814102

- **NINGBO BRANCH**

ADD: 518 East Zhongshan Road
Ningbo
Zhejiang Province 315040
PRC
TEL: 0574-87363537
FAX: 0574-87363537

- **XIAMEN BRANCH**

ADD: ABC Building
98–100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC
TEL: 0592-5578855
FAX: 0592-5578899

- **SHENZHEN BRANCH**

ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province
518001
PRC
TEL: 0775-25590960
FAX: 0755-25572255

- **TIANJIN TRAINING INSTITUTE**

ADD: 88 Weijin Nanlu
Nankai District
Tianjin 300381
PRC
TEL: 022-23381289
FAX: 022-23389307

- **CHANGCHUN TRAINING INSTITUTE**

ADD: 1408 Qianjin Street
Chaoyang District
Changchun
Jilin Province 130012
PRC
TEL: 0431-86822002
FAX: 0431-86822002

- **WUHAN TRAINING INSTITUTE**

ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC
TEL: 027-86783669
FAX: 027-86795502

- **SUZHOU BRANCH**

ADD: 65 Shishan Road
New District
Suzhou
Jiangsu Province 215011
PRC
TEL: 0512-68247016
FAX: 0512-68417800

- **ABC-CA FUND MANAGEMENT CO., LTD.**

ADD: 7/F, Lujiazui Business Plaza
1600 Century Road
Pudong New District
Shanghai 200122
PRC
TEL: 021-61095588
FAX: 021-61095556

- **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5–6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC
TEL: 021-68776699
FAX: 021-68777599

- **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 1/F, Industrial Park
Middle Section
Jiefang Road
Jingpeng Township
Hexigten 025350
TEL: 0476-2331111
FAX: 0476-2331111

- **ABC XIAMEN TONG'AN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: No.185 Zhaoyuan Community
Committee Complex
Zhaoyuan Road,
Tong'an District
Xiamen
Fujian Province 361100
PRC
TEL: 0592-7319223
FAX: 0592-7319223

- **ABC LIFE INSURANCE CO., LTD.**

ADD: Block A, Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC
TEL: 010-82828899
FAX: 010-82827966

- **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 32 Xinzheng Road,
Xinhe Town
Hanchuan
Hubei Province 431600
PRC
TEL: 0712-8412338
FAX: 0712-8412338

- **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Majiagou Village
Zhenwudong Town
Ansai County
Shaanxi Province 717400
PRC
TEL: 0911-6229906
FAX: 0911-6229906

- **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 340 Longchuan Road
Huayang Town
Jixi County
Anhui Province 245300
PRC
TEL: 0563-8158916
FAX: 0563-8158916

- **ABC ZHEJIANG YONGKANG RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 1/F, Jinsong Buidling
Yongkang Headquarters Center
Zhejiang Province 321300
PRC
TEL: 0579-87017378
FAX: 0579-87017378

Overseas Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank of China Tower,
50 Connaught Road,
Central,
Hong Kong
TEL: 00852-28618000
FAX: 00852-28660133

- **SINGAPORE BRANCH**

ADD: No. 7 Temasek Boulevard
#30-01/02/03,
Suntec Tower 1,
Singapore 038987
TEL: 0065-65355255
FAX: 0065-65387960

- **SEOUL BRANCH**

ADD: 14F Seoul Finance Center,
84 Taepyung-ro 1-ga,
Chung-gu,
Seoul 100-768,
Korea
TEL: 0082-2-37883900
FAX: 0082-2-37883901

- **NEW YORK BRANCH**

ADD: 277 Park Ave,
30th Floor,
New York,
NY, 10172,
U.S.A.
TEL: 001-212-8888998
FAX: 001-646-7385291

- **DUBAI BRANCH**

ADD: Office 2901, Tower 2,
Al Fattan Currency House,
DIFC, P.O Box 124803,
Dubai,
U.A.E
TEL: 00971-45676900
FAX: 00971-45676910

- **TOKYO BRANCH**

ADD: 511 Yusen Bldg 3–2,
2-Chome Marunouchi
Chiyoda-Ku
Tokyo 100-0005
Japan
TEL: 0081-3-52085577
FAX: 0081-3-52085579

- **FRANKFURT BRANCH**

ADD: Ulmenstrasse 37–39,
60325 Frankfurt am Main,
Deutschland
TEL: 0049-69-401255-211
FAX: 0049-69-401255-119

- **AGRICULTURAL BANK OF CHINA (UK) LIMITED**

ADD: 7th/F, 1 Bartholomew Lane,
London,
EC2N 2AX,
U.K
TEL: 0044-20-73748900
FAX: 0044-20-73746425

- **ABC INTERNATIONAL HOLDINGS LIMITED**

ADD: 701, 7/F, One Pacific Place,
88 Queensway,
Hong Kong
TEL: 00852-36660000
FAX: 00852-36660009

- **CHINA AGRICULTURAL FINANCE CO., LTD.**

ADD: 26/F,
Agricultural Bank of China Tower,
50 Connaught Road
Central,
Hong Kong.
TEL: 00852-28631916
FAX: 00852-28661936

- **SYDNEY REPRESENTATIVE OFFICE**

ADD: Level 18, Chifley Tower,
2 Chifley Square,
Sydney NSW 2000,
Australia
TEL: +612 8227 8888
FAX: +612 8227 8800

- **VANCOUVER REPRESENTATIVE OFFICE**

ADD: Suite 1260,
355 Burrard Street,
Vancouver,
BC V6C 2G8,
Canada
TEL: 001-604-682-8468
FAX: 001-888-389-9279

- **HANOI REPRESENTATIVE OFFICE**

ADD: Unit V502–503, 5th Floor,
Pacific Place,
83B Ly Thuong Kiet Street,
Hoan Kiem District,
Hanoi,
Vietnam
TEL: 0084-4-39460599
FAX: 0084-4-39460587

Auditor's Report and Consolidated Financial Statements

羅兵咸永道

To the shareholders of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with Limited Liability)

We have audited the consolidated financial statements of Agricultural Bank of China Limited ("the Bank") and its subsidiaries (together, the "Group") set out on pages 164 to 341, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2014

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Income Statement

For the year ended 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Year ended 31 December 2013	2012
Interest income	1	613,384	566,063
Interest expense	1	(237,182)	(224,184)
Net interest income	1	376,202	341,879
Fee and commission income	2	89,697	78,573
Fee and commission expense	2	(6,526)	(3,729)
Net fee and commission income	2	83,171	74,844
Net trading gain	3	2,360	3,070
Net loss on financial instruments designated at fair value through profit or loss	4	(639)	(309)
Net loss on investment securities		(350)	(28)
Other operating income	5	5,027	5,508
Operating income		465,771	424,964
Operating expenses	6	(198,607)	(182,802)
Impairment losses on assets	8	(52,990)	(54,235)
Profit before tax		214,174	187,927
Income tax expense	9	(47,963)	(42,796)
Profit for the year		166,211	145,131
Attributable to:			
Equity holders of the Bank		166,315	145,094
Non-controlling interests		(104)	37
		166,211	145,131
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	0.51	0.45

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2013	**2012**
Profit for the year	166,211	145,131
Other comprehensive (expenses)/income:		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes on available-for-sale financial assets	(29,102)	(3,029)
Income tax impact for fair value changes on available-for-sale financial assets	7,227	804
Foreign currency translation differences	(321)	55
Other comprehensive expenses, net of tax	(22,196)	(2,170)
Total comprehensive income for the year	**144,015**	**142,961**
Total comprehensive income attributable to:		
Equity holders of the Bank	144,123	142,924
Non-controlling interests	(108)	37
	144,015	**142,961**

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

Consolidated Statement of Financial Position

At 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	2013	2012
Assets			
Cash and balances with central banks	12	2,603,802	2,613,111
Deposits with banks and other financial institutions	13	397,678	262,233
Precious metals		19,185	9,203
Placements with banks and other financial institutions	14	308,655	223,380
Financial assets held for trading	15	53,864	27,889
Financial assets designated at fair value through profit or loss	16	269,018	155,366
Derivative financial assets	17	8,186	4,825
Financial assets held under resale agreements	18	737,052	814,620
Loans and advances to customers	19	6,902,522	6,153,411
Available-for-sale financial assets	20	781,311	755,503
Held-to-maturity investments	21	1,523,815	1,308,796
Debt instruments classified as receivables	22	592,090	608,594
Investments in associates and joint ventures		1	108
Property and equipment	24	150,859	141,490
Goodwill	25	1,381	1,381
Deferred tax assets	26	74,075	56,949
Other assets	27	138,608	107,483
Total assets		**14,562,102**	**13,244,342**
Liabilities			
Borrowings from central bank		104	66
Deposits from banks and other financial institutions	28	729,354	784,352
Placements from banks and other financial institutions	29	174,363	149,721
Financial liabilities held for trading	30	20,805	3,674
Financial liabilities designated at fair value through profit or loss	31	285,454	155,071
Derivative financial liabilities	17	7,635	5,514
Financial assets sold under repurchase agreements	32	26,787	7,631
Due to customers	33	11,811,411	10,862,935
Debt securities issued	34	266,261	192,639
Deferred tax liabilities	26	8	15
Other liabilities	35	395,383	331,370
Total liabilities		**13,717,565**	**12,492,988**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2013	As at 31 December 2012
Equity			
Share capital	36	324,794	324,794
Capital reserve	37	98,773	98,773
Investment revaluation reserve	38	(22,772)	(901)
Surplus reserve	39	60,632	43,996
General reserve	40	139,204	75,349
Retained earnings		243,482	208,488
Foreign currency translation reserve		(1,005)	(684)
Equity attributable to equity holders of the Bank		843,108	749,815
Non-controlling interests		1,429	1,539
Total equity		**844,537**	**751,354**
Total equity and liabilities		**14,562,102**	**13,244,342**

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

Approved and authorized for issue by the Board of Directors on 25 March 2014.

中国农业银行股份有限公司

Chairman

Executive Director

Statement of Financial Position

At 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2013	2012
Assets			
Cash and balances with central banks	12	2,603,625	2,612,909
Deposits with banks and other financial institutions	13	389,938	255,005
Precious metals		19,185	9,203
Placements with banks and other financial institutions	14	310,967	225,140
Financial assets held for trading	15	53,497	27,889
Financial assets designated at fair value through profit or loss	16	267,994	154,582
Derivative financial assets	17	8,176	4,825
Financial assets held under resale agreements	18	736,742	814,608
Loans and advances to customers	19	6,866,183	6,127,483
Available-for-sale financial assets	20	776,715	750,078
Held-to-maturity investments	21	1,517,998	1,304,949
Debt instruments classified as receivables	22	585,459	606,725
Investment in subsidiaries	23	8,248	8,251
Investments in associates and joint ventures		—	108
Property and equipment	24	149,001	140,096
Deferred tax assets	26	73,938	56,934
Other assets	27	126,684	98,323
Total assets		**14,494,350**	**13,197,108**
Liabilities			
Borrowings from central bank		30	30
Deposits from banks and other financial institutions	28	732,194	788,746
Placements from banks and other financial institutions	29	145,924	127,307
Financial liabilities held for trading	30	20,805	3,674
Financial liabilities designated at fair value through profit or loss	31	285,454	155,071
Derivative financial liabilities	17	7,633	5,506
Financial assets sold under repurchase agreements	32	24,670	7,631
Due to customers	33	11,808,163	10,862,387
Debt securities issued	34	266,261	192,639
Other liabilities	35	361,104	304,901
Total liabilities		**13,652,238**	**12,447,892**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	2013	2012
Equity			
Share capital	36	324,794	324,794
Capital reserve	37	98,574	98,574
Investment revaluation reserve	38	(22,750)	(898)
Surplus reserve	39	60,542	43,959
General reserve	40	138,751	75,181
Retained earnings		242,980	208,183
Foreign currency translation reserve		(779)	(577)
Total equity		**842,112**	**749,216**
Total equity and liabilities		**14,494,350**	**13,197,108**

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

Approved and authorized for issue by the Board of Directors on 25 March 2014.

Chairman

Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes IV	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2013		324,794	98,773	(901)	43,996	75,349	208,488	(684)	749,815	1,539	751,354
Profit for the year		—	—	—	—	—	166,315	—	166,315	(104)	166,211
Other comprehensive expenses		—	—	(21,871)	—	—	—	(321)	(22,192)	(4)	(22,196)
Total comprehensive (expenses)/ income for the year		—	—	(21,871)	—	—	166,315	(321)	144,123	(108)	144,015
Appropriation to surplus reserve	39	—	—	—	16,636	—	(16,636)	—	—	—	—
Appropriation to general reserve	40	—	—	—	—	63,855	(63,855)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(2)	(2)
Dividends	10	—	—	—	—	—	(50,830)	—	(50,830)	—	(50,830)
As at 31 December 2013		**324,794**	**98,773**	**(22,772)**	**60,632**	**139,204**	**243,482**	**(1,005)**	**843,108**	**1,429**	**844,537**
As at 1 January 2012		324,794	98,773	1,324	29,509	64,854	131,086	(739)	649,601	187	649,788
Profit for the year		—	—	—	—	—	145,094	—	145,094	37	145,131
Other comprehensive (expenses)/income		—	—	(2,225)	—	—	—	55	(2,170)	—	(2,170)
Total comprehensive (expenses)/ income for the year		—	—	(2,225)	—	—	145,094	55	142,924	37	142,961
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	152	152
Appropriation to surplus reserve	39	—	—	—	14,487	—	(14,487)	—	—	—	—
Appropriation to general reserve	40	—	—	—	—	10,495	(10,495)	—	—	—	—
Dividends	10	—	—	—	—	—	(42,710)	—	(42,710)	—	(42,710)
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	1,163	1,163
As at 31 December 2012		**324,794**	**98,773**	**(901)**	**43,996**	**75,349**	**208,488**	**(684)**	**749,815**	**1,539**	**751,354**

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

For the year ended 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	214,174	187,927
Adjustments for:		
Amortization of intangible assets and other assets	2,342	1,999
Depreciation of property and equipment	15,119	13,497
Impairment losses on assets	52,990	54,235
Interest income arising from investment securities	(106,831)	(97,144)
Interest income arising from impaired loans and advances to customers	(693)	(557)
Interest expense on debt securities issued	8,493	5,202
Net loss on investment securities	350	28
Net gain on disposal of investment in subsidiaries, associates and joint ventures	(309)	(17)
Dividend income arising from investment securities	(5)	(4)
Net gain on disposal of property, equipment and other assets	(656)	(252)
Net foreign exchange loss	5,037	133
	190,011	165,047
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(187,328)	(175,319)
Net increase in placements with banks and other financial institutions	(44,823)	(17,718)
Net increase in loans and advances to customers	(795,948)	(792,600)
Net increase in borrowings from central bank	38	16
Net increase in placements from banks and other financial institutions	24,642	40,766
Net increase in due to customers and deposits from banks and other financial institutions	893,478	1,409,980
Increase in other operating assets	(221,815)	(166,042)
Increase/(decrease) in other operating liabilities	228,648	(94,368)
Cash from operations	86,903	369,762
Income tax paid	(54,024)	(50,704)
NET CASH FROM OPERATING ACTIVITIES	32,879	319,058

Consolidated Statement of Cash Flows

For the year ended 31 December 2013
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Year ended 31 December 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		634,630	827,708
Cash received from interest income arising from investment securities		99,120	87,158
Cash received from disposal of investment in subsidiaries, associates and joint ventures		416	—
Cash received from other investing activities		765	1,695
Cash paid for purchase of investment securities		(891,097)	(922,765)
Cash paid for purchase of property, equipment and other assets		(28,170)	(27,870)
Net cash inflow on acquisition of a subsidiary		—	148
NET CASH USED IN INVESTING ACTIVITIES		(184,336)	(33,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from debt securities issued		118,771	94,092
Cash payments for transaction cost of bonds issued		(15)	(50)
Contribution from non-controlling interests		—	152
Repayments of debt securities issued		(45,153)	(20,806)
Cash payments for interest on debt securities issued		(7,707)	(4,920)
Dividends recognized as distribution		(50,830)	(42,710)
Dividends paid to non-controlling interests		(2)	—
NET CASH FROM FINANCING ACTIVITIES		15,064	25,758
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(136,393)**	**310,890**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		952,936	642,107
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(2,744)	(61)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**41**	**813,799**	**952,936**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		494,213	465,169
Interest paid		199,880	176,663

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

I GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Bank is located at No.69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in the Mainland China are referred to as "Domestic Operations". Branches and subsidiaries registered and operating outside of the Mainland China are referred to as "Overseas Operations".

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2013 and adopted by the Group

In the current year, the Group has applied the following new and revised IFRSs, as well as certain amendments, issued by the IASB that are mandatorily effective for the current year.

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
Amendments to IFRS 7	Disclosure — Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009 — 2011 Cycle

New and Revised Standards and Amendments on Consolidation, Joint Arrangements, Associates and related Disclosures

IFRS 10 — Consolidated Financial Statements defines the principle of control, and establishes controls as the basis for consolidation. It also sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 replaces the portion of IAS 27 — Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IAS 27 (as revised in 2011) — Separate Financial Statements is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements.

IFRS 11 — Joint Agreements is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form.

IFRS 12 — Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2013 and adopted by the Group (Continued)

New and Revised Standards and Amendments on Consolidation, Joint Arrangements, Associates and related Disclosures (Continued)

IAS 28 (as revised in 2011) — Investments in Associates and Joint Ventures includes the requirements for joint ventures, as well as associates, to be equity accounted for following the issue of IFRS 11.

Amendments to IFRS 10, IFRS 11 and IFRS 12 provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

IFRS 13 Fair Value Measurement

IFRS 13 — Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. IFRS 13 requires fair value to be measured using the price in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

IAS 19 (as revised in 2011): Employee Benefits

The amendments to IAS 19 — Employee Benefits change the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

Amendments to IFRS 7: Disclosure — Offsetting Financial Assets and Financial Liabilities

The amendments require new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2013 and adopted by the Group (Continued)

Amendment to IAS 1: Presentation of Items of Other Comprehensive Income

The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in OCI.

Annual Improvements to IFRSs 2009 — 2011 Cycle

The Annual Improvements to IFRSs 2009 — 2011 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 1 — First Time Adoption, the amendments to IAS 1 — Financial Statement Presentation, the amendments to IAS 16 — Property Plant and Equipment, the amendments to IAS 32 — Financial Instruments: Presentation and the amendments to IAS 34 — Interim Financial Reporting.

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2013

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IAS 36	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014
Amendment to IAS 19 (as revised in 2011)	Employee Benefits — To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2010 — 2012 Cycle	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011 — 2013 Cycle	1 July 2014
IFRS 9	Financial Instruments	Left open pending the finalization of the impairment and classification and measurement requirements
Amendments to IFRS 9	Financial Instruments — A Package of Amendments to The Accounting Requirements for Financial Instruments	Left open pending the finalization of the impairment and classification and measurement requirements

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2013 (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

According to the amendments, many investment funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will be measured at fair value through profit or loss. The amendments give an exemption to an "investment entity", as defined by specific characteristics. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

These amendments relate to the application guidance in IAS 32 — Financial Instruments: Presentation, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 36: Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 39: Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2013 (Continued)

IFRIC 21: Levies

This is an interpretation of IAS 37 — Provisions, Contingent Liabilities and Contingent Assets, establishes criteria for the recognition of a liability, arising when an entity incurs a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy to a government for undertaking a specific activity is the actual performance of the activity specified in the relevant legislation that triggers the payment of the levy. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendment to IAS 19 (as revised in 2011): Employee Benefits — To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits

The amendment to IAS 19 (as revised in 2011) — Employee Benefits will affect any post-employment benefit plans where employees or third parties are required to bear some of the cost of the plan. The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employees' working lives. The Group anticipates that the adoption of the amendment will not have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010 — 2012 Cycle

The annual improvements to IFRSs 2010 — 2012 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Amendments to IFRSs include the amendments to IFRS 2 — Share-Based Payment, the amendments to IFRS 3 — Business Combinations, the amendments to IFRS 8 — Operating Segments, the amendments to IFRS 13 — Fair Value Measurement, the amendments to IAS 24 — Related Party Disclosures, the amendments to IAS 16 — Property, Plant and Equipment, and the amendments to IAS 38 — Intangible Assets. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.2 *Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group in 2013* (Continued)

Annual Improvements to IFRSs 2011 — 2013 Cycle

The annual improvements to IFRSs 2011 — 2013 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Amendments to IFRSs include the amendments to IFRS 1 — First-time Adoption of International Financial Reporting Standards, the amendments to IFRS 3 — Business Combinations, the amendments to IFRS 13 — Fair Value Measurement, and the amendments to IAS 40 — Investment Property. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 — Financial Instruments is the first standard issued as part of a wider project to replace IAS 39 — Financial Instruments: Recognition and Measurement. IFRS 9 retains, but simplifies, the mixed measurement model for financial instruments. The basis of classification will depend on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets continues to apply. The IASB completed a package of amendments to IFRS 9 on 19 November 2013, which are described in the section below. The Group is in the process of assessing the impact on the Group's consolidated financial statements from this new standard.

Amendments to IFRS 9: Financial Instruments — A Package of Amendments to The Accounting Requirements for Financial Instruments

The amendments bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; allow the changes to address the so-called "own credit" issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and the subsidiaries (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is achieved where the Bank has the power to control the financial and operating policies of an entity, is exposed to variable returns from that entity, and is able to use its power to influence its variable returns from that entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-Group transactions, balances, and income and expense are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. With respect to goodwill arising during a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investments in associates and joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group does not have any joint operations.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profits or losses of an associate or a joint venture are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of investment in an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with one of the Group's associates or a joint ventures, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or the joint venture that are not related to the Group.

In the Bank's statement of financial position, its investments in associates and joint ventures are stated at cost, less impairment losses, if any.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3 Interest income and expense

Interest income and expense for all interest-earning financial assets and interest-bearing financial liabilities are recognized within Interest Income and Interest Expense, respectively, in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

4 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a specified period of time, fee and commission income is accrued over that period as the services are provided. For other services, fee and commission income are recognized at the time the services are completed.

5 Foreign currency transactions

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for (i) exchange differences arising on a monetary item that forms part of the Bank's net investment in Overseas Operations; (ii) exchange differences arising from changes of the fair value of monetary assets classified as available-for-sale (other than the changes relating to the amortized cost of these monetary assets) which are recognized in other comprehensive income and accumulated in equity.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 Foreign currency transactions (Continued)

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of Foreign Currency Translation Reserve (attributable to non-controlling interests, as appropriate). The accumulated foreign currency translation reserve related to Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or end of the employment contracts. These benefits include salaries, bonuses, allowances and subsidies, staff welfare expenses, social insurance, Housing funds, labor union fees and staff education expenses.

Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase the expenses in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Employee benefits (Continued)

Social welfare

Social welfare expenditure refers to payments related to government mandated social welfare programs, including social insurance, medical insurance, housing funds and other social welfare contributions. Contributions are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

Annuity scheme

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when satisfied the condition of termination benefit with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in consolidate income statement when incurred.

8 Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position and classified into one of the categories presented below. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, respectively, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets

The Group's financial assets are classified into four categories — financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories — financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of sale in the near future; or
- it forms part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative instrument that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 — Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise. The net gain or loss recognized in the consolidated income statement excludes any dividends or interest earned.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any impairment losses.

Financial assets classified as loans and receivables primarily include deposits with central banks, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, and specified debt securities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated income statement.

Equity investments classified as available-for-sale that do not have a quoted price in an active market and whose fair value cannot be reliably determined are measured at cost, less any impairment losses, at the end of each reporting period.

Interest income related to financial assets classified as available-for-sale debt instruments is calculated using the effective interest method and recorded as an element of Interest Income in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group’s right to receive such payments is established.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the financial assets have been adversely affected.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, although the decrease cannot yet be attributed to individual financial assets in the portfolio.
    - — adverse changes in the payment status of borrowers in the portfolio; and
    - — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in the consolidated income statement when there is objective evidence that the assets are impaired. The impairment 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) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collaterized financial asset reflects the cash flows that are expected to result from foreclosure, less the cost of obtaining and selling the collateral.

The carrying amount of an impaired financial asset is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated income statement. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as an improvement in the debtor's credit rating, the previously recognized impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of financial assets classified as available-for-sale

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or prolonged, the Group considers if the fair value of an available-for-sale equity instrument as at the balance sheet date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than one year (including one year) together with other relevant considerations.

When a decline in the fair value of a financial asset classified as available-for-sale has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve, and there is objective evidence that asset is impaired, the cumulative losses previously recognized in other comprehensive income are reclassified to the consolidated income statement in the period in which the impairment takes place.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Financial assets (Continued)

Impairment of financial assets classified as available-for-sale (Continued)

An impairment loss on an equity investment classified as available-for-sale, and carried at fair value, is not reversed through the consolidated income statement in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. An impairment loss on an equity investment classified as available-for-sale equity investment, and carried at cost, is not reversed. An impairment loss on a debt investment classified as available-for-sale is subsequently reversed through the consolidated income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

8.2 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument in IAS 39 and IAS 32, respectively.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities, carried at amortized cost.

Financial liabilities at FVTPL

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

The criteria for a financial liability designated at FVTPL is the same as those for a financial asset designated at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognized directly in the consolidated income statement in the period in which they arise. The net gain or loss recognized in the consolidated income statement excludes any interest paid on the financial liabilities.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.2 Financial liabilities and equity instruments (Continued)

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance costs.

8.3 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not clearly and closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated income statement. These embedded derivatives are separately accounted for at FVTPL.

8.4 Determination of 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

8.6 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

8.7 Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with standard repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as Investments Classified as Held-to-Maturity Investments, Available-for-Sale Financial Assets, Debt Instruments Classified as Receivables or Loans and Advances to Customers as appropriate. The corresponding liability is included in Financial Assets Sold under Repurchase Agreements. The items which are not derecognized are disclosed in Note IV 45 Contingent Liabilities and Commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial Assets Held under Resale Agreements.

The difference between purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Insurance contracts

Insurance contract classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk, relative to an insured event or occurrence. The Group issues primarily life insurance contracts, which insure events associated with mortality over a long duration. The Group also issues non-life insurance contracts, which cover short-term casualty and health insurance risk. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Some insurance contracts contain both an insurance component and a deposit component. The Group unbundles those components, if the insurance component and the deposit component are separately measurable. The unbundled insurance component is accounted for according to IFRS 4 — Insurance Contracts and the unbundled deposit component is accounted for as a financial liability under investment contract liabilities.

Insurance income recognition

Premiums from long-term life insurance contracts are recognized as revenue when due from policyholders. Premiums related to short-term non-life insurance contracts are recognized when received at the inception of the policy, as unearned insurance premiums in the consolidated statement of financial position, and are amortized on a straight-line basis into the consolidated income statement over the term of the policy.

When the Group has transferred insurance risk through reinsurance contracts, the Group calculates the amount of premium ceded and the reinsurers' share of expenses and recognizes them through the consolidated income statement in accordance with the terms of the reinsurance contracts.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period. The Group has considered the impact of time value in the liability calculation for long-term life insurance.

The Group performs liability adequacy tests based on information currently available, as at the reporting date. Additional insurance contract liabilities should be recorded if any deficiency exists.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise.

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in Property and Equipment.

Depreciation is recognized as a component of Operating Expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual Value rates	Annual Depreciation rates
Buildings	5–50 years	3%	1.94%–19.40%
Electronic equipment, furniture and fixtures	3–11 years	3%	8.82%–32.33%
Motor vehicles	5–8 years	3%	12.13%–19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as a component of property and equipment, less any impairment loss. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Other Operating Income in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note II 18 Impairment of Tangible and Intangible Assets Other Than Goodwill.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at its net carrying amount.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditures incurred for the investment property are included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

At the end of the reporting period, the Group reviews the carrying amounts of its investment properties to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount (the higher of fair value less costs to sell and value in use) of the property is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of a property is estimated to be less than its carrying amount, the carrying amount of the property is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement. The accounting policies of impairment of investment property are included in Note II 18 Impairment of Tangible and Intangible Assets Other Than Goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment") is recorded in the consolidated statement of financial position as Loans and Advances to Customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortizing over the term of the lease using the effective interest method and recognized in the consolidated income statement.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognized as the Group's property and equipment. Rental income from operating leases is recognized as Other Operating Income in the consolidated income statement on a straight-line basis over the term of the related lease.

The Group as lessee

When the Group is a lessee under finance leases, the leased assets are capitalized initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in Other Liabilities. Finance charges are charged over the term of the lease using the effective interest method and recognized in the consolidated income statement. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognized as an expense and charged to Operating Expenses in the consolidated income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognized over the lease term.

16 Cash and cash equivalents

Cash and cash equivalents are assets with a maturity of less than 3 months from the date of acquisition or highly liquid assets with an original maturity of less than three months, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

18 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

19 Dividend distribution

Dividend distribution to the Bank's shareholders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the shareholders' annual general meeting of the Bank.

20 Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions, historical losses and supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

23 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 Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note IV 45 Contingent Liabilities and Commitments.

A provision is recognized when it meets the criteria as set forth in Note II 20 Provision.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have a significant risk of causing a material adjustment to the actual result within the next twelve months.

1 Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment on a periodic basis during the year. In determining whether an impairment loss should be recognized in the consolidated income statement, the Group makes estimates and judgments as to whether there is any observable data indicating that there is objective evidence of impairment and the extent, if any, to which it will have a measurable decrease in the estimated future cash flows related to individually significant loans or pools of loans with similar risk characteristics, as described in Note II 8.1 Impairment of Financial Assets Carried at Amortized Cost.

Significant judgments are made in the determination of whether objective evidence of impairment exists in individually significant loans or pools of smaller-balance loans with similar risk characteristics. Among other things, objective evidence of impairment includes deterioration in the financial condition of specific borrowers (or specific pools of borrowers) affecting their ability to meet their loan payment obligations, as well as increasing industry sector over-capacity or obsolescence, or deterioration in national or regional economic conditions that are correlated to increasing loan defaults. These judgments are made both during management's regular assessments of loan quality and when other circumstances indicate the possibility that objective evidence of impairment may exist.

Where it is determined that objective evidence of impairment exists, significant judgments and estimates are made in estimating the adverse impact on future cash flows related to individually significant impaired loans. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Factors affecting these estimates include the availability and granularity of information related to specific borrowers and the clarity of the correlation between qualitative factors, such as industry sector performance or changes in regional economic conditions and loan defaults of related borrowers.

When the decrease may not have been identified individually or the individual loan is not significant, management uses estimates based on historical loss experience on a collective basis on loans with similar credit risk characteristics to assess the impairment loss. Significant judgments are also applied to the calculation of collectively assessed impairment. Critical factors affecting these judgments include modeling assumptions (e.g., loss emergence period and loss given default) and levels of correlation between qualitative factors and loan default.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

3 Held-to-maturity investments

The Group classifies non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity as held-to-maturity investments. In assessing the Group's intention and ability to hold such investments to maturity, management primarily considers the business purpose for acquiring a security, as well as the Group's liquidity needs. This is a significant judgment because if the Group fails to hold these investments to maturity, other than for specific and limited circumstances (e.g., sale of an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets and be precluded from classifying investments as held-to-maturity investments for two years.

4 Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence of impairment on expected future cash flows of the investment is taken into account.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

5 Impairment of available-for-sale financial assets

The determination of whether an available-for-sale financial asset is impaired requires significant judgment. In making this judgment, the Group considers the duration and extent to which the fair value of an investment is less than its cost; or whether other objective evidence of impairment exists based on the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

6 Taxes

There are certain transactions and activities, occurring during the ordinary course of business, for which the ultimate tax effect is uncertain. The Group has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment of the appropriate tax treatment, such differences will affect the current income tax and/or deferred income tax expense during the period in which the tax treatment is finalized.

7 Employee early retirement benefits obligations

The Group recognizes liabilities in connection with early retirement benefits for employees in Domestic Institutions using the projected unit credit actuarial cost method based on various assumptions, including the discount rate, average medical expenses growth rate, pension benefit growth rate for early retirements and other factors. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement in the period during which such changes take place and the corresponding liability recognized in the consolidated statement of financial position.

8 Control over structured entity

Where the Group acts as asset manager of structure entities, the Group makes judgment on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests that it holds in the structured entities. The Group performs re-assessment periodically.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2013	**2012**
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	292,774	281,914
Personal loans and advances	114,272	98,631
Discounted bills	7,224	8,318
Held-to-maturity investments	53,633	46,837
Balances with central banks	37,517	43,123
Available-for-sale financial assets	32,277	26,083
Financial assets held under resale agreements	28,693	23,153
Debt instruments classified as receivables	20,921	24,224
Deposits with banks and other financial institutions	16,657	5,745
Placements with banks and other financial institutions	7,638	7,201
Financial assets held for trading	1,431	664
Financial assets designated at fair value through profit or loss	347	170
Subtotal	613,384	566,063
Interest expense		
Due to customers	(194,903)	(186,717)
Deposits from banks and other financial institutions	(23,657)	(25,593)
Placements from banks and other financial institutions	(9,732)	(5,287)
Debt securities issued	(8,493)	(5,202)
Financial assets sold under repurchase agreements	(395)	(1,384)
Borrowings from central bank	(2)	(1)
Subtotal	(237,182)	(224,184)
Net interest income	**376,202**	**341,879**
Interest income on listed investments	88,105	73,037
Interest income on unlisted investments and other debt instruments	20,504	24,941
Interest income accrued on impaired financial assets (included within interest income)	693	557

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2013	**2012**
Fee and commission income		
Settlement and clearing services	22,760	20,617
Agency services	21,651	18,630
Consultancy and advisory services	16,371	16,017
Bank card	15,929	12,559
Electronic banking services	6,564	5,364
Custodian and other fiduciary services	3,338	2,495
Credit commitment	2,687	2,228
Others	397	663
Subtotal	89,697	78,573
Fee and commission expense		
Bank card	(2,536)	(1,227)
Settlement and clearing services	(1,918)	(1,308)
Electronic banking services	(1,350)	(957)
Others	(722)	(237)
Subtotal	(6,526)	(3,729)
Net fee and commission income	**83,171**	**74,844**

3 NET TRADING GAIN

	Year ended 31 December	
	2013	**2012**
Net gain on foreign exchange rate derivatives	1,557	2,569
Net gain on interest rate derivatives	214	61
Net loss on held-for-trading debt securities	(972)	(24)
Net gain on precious metals	1,561	464
Total	**2,360**	**3,070**

4 NET LOSS ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2013	**2012**
Net (loss)/gain on debt securities	(215)	135
Net loss on structured deposits	—	(867)
Others	(424)	423
Total	**(639)**	**(309)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2013	**2012**
Government grant	1,442	2,175
Insurance premium	711	—
Rental income	377	327
Net gain on foreign exchange	312	1,483
Gain on disposal of property and equipment	304	361
Others	1,881	1,162
Total	**5,027**	**5,508**

6 OPERATING EXPENSES

		Year ended 31 December	
		2013	**2012**
Staff costs	(1)	104,729	94,760
General operating and administrative expenses	(2)	45,750	44,874
Business tax and surcharges	(3)	27,226	25,374
Depreciation and amortization		17,461	15,496
Insurance benefits and claims		669	—
Others		2,772	2,298
Total		**198,607**	**182,802**

(1) Staff costs

	Year ended 31 December	
	2013	**2012**
Salaries, bonuses, allowances and subsidies	63,758	58,253
Social insurance	16,939	14,672
Housing funds	7,213	6,076
Labor union fee and staff education expenses	2,827	2,607
Early retirement benefits	1,854	2,005
Others	12,138	11,147
Total	**104,729**	**94,760**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB123 million for the year (2012: RMB135 million).

(3) Business tax for the group's Domestic Operations is generally calculated as 5% of taxable income.

In accordance with the "Circular regarding the Business Taxes Preferential Policies on Agriculture-related Loans Granted by the County Area Banking Division of Agricultural Bank of China Limited"(Cai Shui [2014] No.5), jointly issued by the MOF and the State Administration of Taxation on 10 January 2014, business tax of the Group's county-level sub-branches in the 19 provinces for the pilot program would be levied at 3% on interest income from agriculture-related loans from 1 November 2013 to 31 December 2015.

Additionally, city construction and maintenance tax is calculated as 1% — 7% of business tax for the Group's Domestic Operations.

Education surcharge is calculated as 3%–5% of business tax for the Group's Domestic Operations.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENTS AND THE HIGHEST PAID INDIVIDUALS

(1) Details of the Directors', Supervisors' and Senior managements' emoluments are as follows (in thousands of RMB):

	Year ended 31 December 2013				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonus**	**Total**
Executive Directors					
Jiang Chaoliang(i)	—	1,070	64	—	1,134
Zhang Yun(i)	—	1,002	57	—	1,059
Guo Haoda(i)	—	876	54	—	930
Lou Wenlong(i)	—	876	54	—	930
Independent Non-Executive Directors					
Anthony Wu Ting-yuk	410	—	—	—	410
Qiu Dong	440	—	—	—	440
Frederick Ma Si-hang	350	—	—	—	350
Wen Tiejun	360	—	—	—	360
Francis Yuen Tin-fan(ii)	295	—	—	—	295
Non-Executive Directors					
Shen Bingxi(iii)	—	—	—	—	—
Lin Damao(iii)	—	—	—	—	—
Cheng Fengchao(iii)	—	—	—	—	—
Li Yelin(iii)	—	—	—	—	—
Xiao Shusheng(iii)	—	—	—	—	—
Zhao Chao(iii)	—	—	—	—	—
Supervisors					
Che Yingxin	—	947	56	—	1,003
Liu Hong(iv)	—	—	—	—	—
Jia Xiangsen(v)	30	—	—	—	30
Zheng Xin(v)	30	—	—	—	30
Zhang Jianzhong(v)(vi)	17	—	—	—	17
Xia Zongyu(v)(vi)	17	—	—	—	17
Dai Genyou	280	—	—	—	280
Senior Managements					
Cai Huaxiang	—	876	54	—	930
Gong Chao	—	876	54	—	930
Wang Wei	—	876	54	—	930
Li Zhenjiang	—	820	53	—	873
Supervisor resigned					
Wang Yurui(vii)	12	—	—	—	12
Yan Chongwen(vii)	12	—	—	—	12
Total	**2,253**	**8,219**	**500**	**—**	**10,972**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENTS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(1) Details of the Directors', Supervisors' and Senior Managements' emoluments are as follows (in thousands of RMB) (Continued)*:*

(i) Jiang Chaoliang, Zhang Yun, Guo Haoda and Lou Wenlong are also the Senior Management of the Group and their emoluments disclosed above include those for services rendered by them as the Senior Management.

(ii) Francis Yuen Tin-fan was elected Independent Non-Executive Director effective 8 March 2013.

(iii) These Non-Executive Directors of the Bank did not receive any fees from the Group. Their emoluments were borne by the major equity holders of the Bank.

(iv) Liu Hong did not receive any emoluments for his part-time position as Shareholder Representative Supervisor from the Bank in 2013.

(v) For Employee Representative Supervisors of the Bank, the amounts set forth above only included fees for their services as supervisors.

(vi) Zhang Jianzhong and Xia Zongyu were elected as Supervisors representing employees of the Bank effective 7 May 2013 at the Employee Representatives Meeting.

(vii) Wang Yurui and Yan Chongwen ceased to be Employee Representative Supervisor effective 7 May 2013.

The total compensation packages for the above Executive Directors, Supervisors and Senior Managements for the year ended 31 December 2013 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENTS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(1) *Details of the Directors', Supervisors' and Senior Managements' emoluments are as follows (in thousands of RMB)* (Continued):

	Year ended 31 December 2012				
Item	**Fees**	**Basic salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Bonus**	**Total**
Executive Directors					
Jiang Chaoliang(i)(x)	—	1,920	61	—	1,981
Zhang Yun(x)	—	1,734	55	—	1,789
Guo Haoda(ii)(x)	—	1,640	52	—	1,692
Lou Wenlong(ii)(x)	—	556	18	—	574
Independent Non-Executive Directors					
Anthony Wu Ting-yuk	411	—	—	—	411
Qiu Dong	441	—	—	—	441
Frederick Ma Si-hang	351	—	—	—	351
Wen Tiejun	361	—	—	—	361
Francis Yuen Tin-fan(iii)	—	—	—	—	—
Non-Executive Directors					
Shen Bingxi(iv)	—	—	—	—	—
Lin Damao(iv)	—	—	—	—	—
Cheng Fengchao(iv)	—	—	—	—	—
Li Yelin(iv)	—	—	—	—	—
Xiao Shusheng(iv)(v)	—	—	—	—	—
Zhao Chao(iv)(v)	—	—	—	—	—
Supervisors					
Che Yingxin	—	1,696	54	—	1,750
Liu Hong(vi)(vii)	—	—	—	—	—
Jia Xiangsen(viii)	30	—	—	—	30
Wang Yurui(viii)	30	—	—	—	30
Yan Chongwen(viii)	30	—	—	—	30
Zheng Xin(viii)	30	—	—	—	30
Dai Genyou(vi)	43	—	—	—	43
Senior Managements					
Cai Huaxiang	—	1,640	52	—	1,692
Gong Chao(ix)	—	1,640	52	—	1,692
Wang Wei	—	1,640	52	—	1,692
Li Zhenjiang	—	1,586	51	—	1,637
Executive Directors resigned					
Pan Gongsheng(ii)(x)	—	820	25	—	845
Yang Kun(ii)(x)	—	510	29	—	539
Non-Executive Directors resigned					
Zhang Guoming(v)	—	—	—	—	—
Xin Baorong(v)	—	—	—	—	—
Supervisor resigned					
Pan Xiaojiang(vi)	—	—	—	—	—
Senior management resigned					
Zhu Hongbo(ix)	—	—	—	—	—
Total	**1,727**	**15,382**	**501**	**—**	**17,610**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENTS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(1) Details of the Directors', Supervisors' and Senior Managements' emoluments are as follows (in thousands of RMB) (Continued):

(i) *Jiang Chaoliang was elected Chairman of the Board of Directors on 16 January 2012.*

(ii) *Guo Haoda was elected Executive Director effective 14 December 2012. Lou Wenlong was elected Executive Vice President and Executive Director effective 17 September 2012 and 10 December 2012, respectively. Pan Gongsheng ceased to be Executive Director effective 8 June 2012. Yang Kun ceased to be Executive Director effective 13 July 2012.*

(iii) *Francis Yuen Tin-fan was elected Independent Non-Executive Director effective 8 March 2013.*

(iv) *These Non-Executive Directors of the Bank did not receive any fees from the Group. Their emoluments were borne by the major equity holders of the Bank.*

(v) *Zhang Guoming and Xin Baorong ceased to be Non-Executive Directors effective 16 January 2012. Xiao Shusheng and Zhao Chao were elected Non-Executive Directors effective 29 February 2012.*

(vi) *Liu Hong was elected Shareholder Representative Supervisor effective 16 January 2012. Dai Genyou was elected External Supervisor effective 29 October 2012. Pan Xiaojiang ceased to be Shareholder Representative Supervisor effective 16 January 2012.*

(vii) *Liu Hong did not receive any emoluments for his part-time position as Shareholder Representative Supervisor from the Bank in 2012.*

(viii) *For Employee Representative Supervisors of the Bank, the amounts set forth above only included fees for their services as supervisors.*

(ix) *Gong Chao was elected Senior Management effective 16 March 2012. Zhu Hongbo ceased to be Senior Management effective 11 January 2012.*

(x) *Jiang Chaoliang, Zhang Yun, Guo Haoda, Lou Wenlong, Pan Gongsheng and Yang Kun were also Senior Managements of the Group and their emoluments disclosed above include those for services rendered by them as the Senior Managements.*

The above compensation for the year ended 31 December 2012 was not decided at the time when the 2012 consolidated financial statements were released. Supplementary announcement on final compensation of RMB17.61 million was released by the Bank on 28 August 2013. The amount of remuneration of Directors, Supervisors and Senior Managements recognized in the consolidated income statement for the year of 2012 was RMB10.75 million.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EMOLUMENTS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENTS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(2) Five individuals with the highest emoluments in the Group

(i) Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 and 2012 were as follows(in thousands of RMB):

	Year ended 31 December	
	2013	**2012**
Basic salaries and allowances	7,889	6,147
Discretionary bonuses	6,342	6,848
Contribution to pension schemes and other	542	955
Total	**14,773**	**13,950**

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2013	**2012**
RMB2,500,000 to RMB3,000,000	3	5
RMB3,000,001 to RMB3,500,000	1	—
RMB3,500,001 to RMB4,000,000	1	—

During the current and prior year, no emolument was paid by the Group to any of the Directors, Supervisors, Senior Managements or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the Directors or Supervisors waived any emoluments during the current and prior year.

8 IMPAIRMENT LOSSES ON ASSETS

	Year ended 31 December	
	2013	**2012**
Loans and advances to customers	52,126	54,628
Held-to-maturity investments	379	(53)
Placements with banks and other financial institutions	200	(116)
Debt instruments classified as receivables	141	(294)
Property and equipment	14	23
Deposits with banks and other financial institutions	(34)	(30)
Available-for-sale financial assets	(129)	(535)
Other assets	293	612
Total	**52,990**	**54,235**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2013	**2012**
Current income tax		
— PRC Enterprise Income Tax	57,503	52,978
— Hong Kong Profits Tax	305	265
— Other jurisdictions	61	12
Subtotal	57,869	53,255
Deferred tax (Note IV 26)	(9,906)	(10,459)
Total	**47,963**	**42,796**

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulations. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions. Pre-tax deduction items of enterprise income tax are governed by the relevant regulations of the PRC.

The tax charges for the year ended 31 December 2013 and 2012 can be reconciled to the profit per the consolidated income statements as follows:

		Year ended 31 December	
		2013	**2012**
Profit before tax		214,174	187,927
Tax calculated at applicable statutory tax rate of 25%		53,544	46,982
Tax effect of items such as expenses not deductible for tax purpose		1,077	2,025
Tax effect of income not taxable for tax purpose	(1)	(6,652)	(5,999)
Effect of different tax rates in other jurisdictions		(6)	(212)
Income tax expense		**47,963**	**42,796**

(1) Non-taxable income primarily represents interest income from PRC treasury bonds.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS

		Year ended 31 December	
		2013	**2012**
Dividends on ordinary shares declared and paid			
Cash dividend related to 2012	(1)	50,830	—
Cash dividend related to 2011	(2)	—	42,710
		50,830	**42,710**

The final dividend of RMB0.177 per share in respect of the year of 2013 amounting to RMB57,489 million in total has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

(1) Distribution of final dividend for 2012

A cash dividend of RMB0.1565 per share related to 2012, amounting to RMB50,830 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2012 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 18 June 2013.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2013.

(2) Distribution of final dividend for 2011

A cash dividend of RMB0.1315 per share related to 2011, amounting to RMB42,710 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2011 as determined in accordance with the PRC GAAP, at the annual general meeting held on 8 June 2012.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2012.

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2013	**2012**
Earnings:		
Profit for the year attributable to equity holders of the Bank	166,315	145,094
Number of shares:		
Weight average number of shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.51	0.45

There were no potential ordinary shares outstanding during the current and prior year.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 CASH AND BALANCES WITH CENTRAL BANKS

Group

		As at 31 December	
		2013	**2012**
Cash		99,759	93,096
Mandatory reserve deposits with central banks	(1)	2,279,918	2,094,197
Surplus reserve deposits with central banks	(2)	100,519	158,332
Other deposits with central banks	(3)	123,606	267,486
Total		**2,603,802**	**2,613,111**

Bank

		As at 31 December	
		2013	**2012**
Cash		99,737	93,022
Mandatory reserve deposits with central banks	(1)	2,279,774	2,094,116
Surplus reserve deposits with central banks	(2)	100,508	158,285
Other deposits with central banks	(3)	123,606	267,486
Total		**2,603,625**	**2,612,909**

(1) The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at 31 December 2013, for Domestic Operations of the Bank which meet the requirements of "Notice on Differential Mandatory Reserve Deposits for the Sannong Banking Operations of Agricultural Bank of China Limited for 2013 issued by the People's Bank of China" (Yinbanfa [2013] No.57) and effective 7 March 2013, RMB mandatory reserve deposits with the PBOC were based on 18% of qualified RMB deposits (31 December 2012: 18%), while for the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits were based on 20% of qualified RMB deposits (31 December 2012: 20%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2012: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations were determined based on respective overseas regulatory requirements. Foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) Surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

(3) Other deposits with central banks primarily represent fixed deposits and fiscal deposits placed with the PBOC that are not available for use in the Group's daily operations, of which fiscal deposits are non-interest bearing.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2013	**2012**
Deposits with:		
Domestic banks	360,762	204,841
Other domestic financial institutions	1,713	2,330
Overseas banks	35,203	55,096
Gross amount	397,678	262,267
Allowance for impairment losses — individually assessed	—	(34)
Deposits with banks and other financial institutions	**397,678**	**262,233**

Bank

	As at 31 December	
	2013	**2012**
Deposits with:		
Domestic banks	353,117	197,659
Other domestic financial institutions	1,713	2,329
Overseas banks	35,108	55,051
Gross amount	389,938	255,039
Allowance for impairment losses — individually assessed	—	(34)
Deposits with banks and other financial institutions	**389,938**	**255,005**

As at 31 December 2013, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB1,205 million (31 December 2012: RMB1,180 million). These deposits were mainly pledged with overseas banks for the purpose of executing financial derivative transactions.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2013	**2012**
Placements with:		
Domestic banks	81,436	97,824
Other domestic financial institutions	223,566	100,598
Overseas banks	4,228	25,333
Gross amount	309,230	223,755
Allowance for impairment losses — collectively assessed	(575)	(375)
Placements with banks and other financial institutions	**308,655**	**223,380**

Bank

	As at 31 December	
	2013	**2012**
Placements with:		
Domestic banks	81,436	97,824
Other domestic financial institutions	223,866	100,598
Overseas banks	6,240	27,093
Gross amount	311,542	225,515
Allowance for impairment losses — collectively assessed	(575)	(375)
Placements with banks and other financial institutions	**310,967**	**225,140**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 FINANCIAL ASSETS HELD FOR TRADING

Group

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		4,979	1,227
Public sector and quasi-government		24,073	9,575
Financial institutions		474	42
Corporates		12,486	12,345
Subtotal		42,012	23,189
Equity instruments		48	—
Precious metal lease contracts		11,804	4,700
Total		**53,864**	**27,889**
Analyzed as:			
Listed outside Hong Kong	(1)	42,060	23,189
Unlisted		11,804	4,700
Total		**53,864**	**27,889**

Bank

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		4,979	1,227
Public sector and quasi-government		24,073	9,575
Financial institutions		474	42
Corporates		12,167	12,345
Subtotal		41,693	23,189
Precious metal lease contracts		11,804	4,700
Total		**53,497**	**27,889**
Analyzed as:			
Listed outside Hong Kong	(1)	41,693	23,189
Unlisted		11,804	4,700
Total		**53,497**	**27,889**

(1) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		8,721	2,938
Public sector and quasi-government		25,983	3,606
Financial institutions		11,021	9,104
Corporates		12,282	13,898
Interests in trust products	(1)	171,280	76,265
Other debt instruments	(1)	38,710	48,771
Equity instruments		1,021	784
Total		**269,018**	**155,366**
Analyzed as:			
Listed in Hong Kong		183	1,954
Listed outside Hong Kong	(2)	43,255	13,049
Unlisted		225,580	140,363
Total		**269,018**	**155,366**

Bank

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		8,721	2,938
Public sector and quasi-government		25,983	3,606
Financial institutions		11,021	9,104
Corporates		12,282	13,898
Interests in trust products	(1)	171,277	76,265
Other debt instruments	(1)	38,710	48,771
Total		**267,994**	**154,582**
Analyzed as:			
Listed in Hong Kong		183	1,954
Listed outside Hong Kong	(2)	43,255	13,049
Unlisted		224,556	139,579
Total		**267,994**	**154,582**

(1) Underlying assets of the trust products and other debt instruments held by the Group include credit assets, deposits with domestic banks and other domestic financial institutions and debt securities.

(2) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group primarily enters into foreign exchange rate, interest rate and precious metal derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements which cannot be offset in accordance with IFRS. As at 31 December 2013, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Group

	31 December 2013		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	256,278	1,624	(2,786)
Currency swaps	365,555	3,886	(2,215)
Cross-currency interest rate swaps	17,966	372	(678)
Currency options	11,864	33	(15)
Subtotal		5,915	(5,694)
Interest rate derivatives			
Interest rate swaps	165,722	1,637	(1,940)
Precious metal contracts	7,201	634	—
Others	1,494	—	(1)
Total derivative financial assets and liabilities		**8,186**	**(7,635)**

	31 December 2012		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	180,704	1,612	(1,674)
Currency swaps	274,960	1,647	(1,371)
Cross-currency interest rate swaps	26,415	546	(881)
Currency options	6,286	15	(11)
Subtotal		3,820	(3,937)
Interest rate derivatives			
Interest rate swaps	173,385	925	(1,569)
Precious metal contracts	2,986	80	(8)
Total derivatives financial assets and liabilities		**4,825**	**(5,514)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Bank

	31 December 2013		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	256,081	1,624	(2,784)
Currency swaps	357,624	3,876	(2,215)
Cross-currency interest rate swaps	17,966	372	(678)
Currency options	11,864	33	(15)
Subtotal		5,905	(5,692)
Interest rate derivatives			
Interest rate swaps	165,722	1,637	(1,940)
Precious metal contracts	7,201	634	—
Others	1,494	—	(1)
Total derivative financial assets and liabilities		**8,176**	**(7,633)**

	31 December 2012		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	180,704	1,612	(1,674)
Currency swaps	274,746	1,647	(1,363)
Cross-currency interest rate swaps	26,415	546	(881)
Currency options	6,286	15	(11)
Subtotal		3,820	(3,929)
Interest rate derivatives			
Interest rate swaps	173,385	925	(1,569)
Precious metal contracts	2,986	80	(8)
Total derivatives financial assets and liabilities		**4,825**	**(5,506)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

The credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and are calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" ("Regulation") issued by the CBRC which was effective 1 January 2013 and are dependent on, among other factors, the creditworthiness of the customers and the maturity characteristics of each type of contract.

	As at 31 December 2013	
	Group	**Bank**
Credit risk weighted amount for counterparty	11,380	11,326

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Group

	As at 31 December	
	2013	**2012**
Analyzed by collateral type:		
Debt securities	402,454	506,073
Bills	332,921	307,047
Loans and others	1,677	1,500
Total	**737,052**	**814,620**

Bank

	As at 31 December	
	2013	**2012**
Analyzed by collateral type:		
Debt securities	402,144	506,061
Bills	332,921	307,047
Loans and others	1,677	1,500
Total	**736,742**	**814,608**

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in Note IV 45 Contingent Liabilities and Comments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

Group

	As at 31 December	
	2013	**2012**
Corporate loans and advances		
Loans and advances	5,031,088	4,612,731
Discounted bills	97,993	112,706
Subtotal	5,129,081	4,725,437
Personal loans and advances	2,095,632	1,707,962
Gross loans and advances	7,224,713	6,433,399
Allowance for impairment losses		
Individually assessed	(50,127)	(52,242)
Collectively assessed	(272,064)	(227,746)
Total allowance for impairment losses	(322,191)	(279,988)
Loans and advances to customers	6,902,522	6,153,411

Bank

	As at 31 December	
	2013	**2012**
Corporate loans and advances		
Loans and advances	4,994,468	4,586,911
Discounted bills	97,991	112,691
Subtotal	5,092,459	4,699,602
Personal loans and advances	2,094,948	1,707,462
Gross loans and advances	7,187,407	6,407,064
Allowance for impairment losses		
Individually assessed	(50,050)	(52,242)
Collectively assessed	(271,174)	(227,339)
Total allowance for impairment losses	(321,224)	(279,581)
Loans and advances to customers	6,866,183	6,127,483

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of loans and advances to customers by collective and individual assessments:

Group

	Loans and advances for which the allowance is collectively assessed (1)	Identified impaired loans and advances (2)				Identified impaired loans and advances as a % of total gross loans and advances
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	
31 December 2013						
Gross loans and advances	7,136,932	15,426	72,355	87,781	7,224,713	1.22
Allowance for impairment losses	(261,624)	(10,440)	(50,127)	(60,567)	(322,191)	
Loans and advances to customers, net	**6,875,308**	**4,986**	**22,228**	**27,214**	**6,902,522**	
31 December 2012						
Gross loans and advances	6,347,551	12,962	72,886	85,848	6,433,399	1.33
Allowance for impairment losses	(219,284)	(8,462)	(52,242)	(60,704)	(279,988)	
Loans and advances to customers, net	**6,128,267**	**4,500**	**20,644**	**25,144**	**6,153,411**	

Bank

	Loans and advances for which the allowance is collectively assessed (1)	Identified impaired loans and advances (2)				Identified impaired loans and advances as a % of total gross loans and advances
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	
31 December 2013						
Gross loans and advances	7,100,334	15,425	71,648	87,073	7,187,407	1.21
Allowance for impairment losses	(260,734)	(10,440)	(50,050)	(60,490)	(321,224)	
Loans and advances to customers, net	**6,839,600**	**4,985**	**21,598**	**26,583**	**6,866,183**	
31 December 2012						
Gross loans and advances	6,321,216	12,962	72,886	85,848	6,407,064	1.34
Allowance for impairment losses	(218,877)	(8,462)	(52,242)	(60,704)	(279,581)	
Loans and advances to customers, net	**6,102,339**	**4,500**	**20,644**	**25,144**	**6,127,483**	

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of loans and advances to customers by collective and individual assessments: (Continued)

(2) *Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing impairment losses, which are measured either individually (corporate loans and advances) or collectively (personal loans and advances).*

Movements of the allowance for impairment losses on loans and advances to customers:

Group

	Year ended 31 December 2013		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2013	52,242	227,746	279,988
Impairment allowances on loans charged	16,390	73,442	89,832
Reversal of impairment allowances	(10,785)	(26,921)	(37,706)
Net additions	5,605	46,521	52,126
Write-offs and transfer out	(7,842)	(1,942)	(9,784)
Recovery of loans and advances written off in previous years	600	220	820
Unwinding of discount on allowance	(454)	(239)	(693)
Exchange difference	(24)	(242)	(266)
31 December 2013	**50,127**	**272,064**	**322,191**

	Year ended 31 December 2012		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2012	54,024	175,818	229,842
Impairment allowances on loans charged	16,618	76,215	92,833
Reversal of impairment allowances	(14,574)	(23,631)	(38,205)
Net additions	2,044	52,584	54,628
Write-offs	(3,482)	(527)	(4,009)
Recovery of loans and advances written off in previous years	80	20	100
Unwinding of discount on allowance	(423)	(134)	*(557)*
Exchange difference	(1)	(15)	*(16)*
31 December 2012	**52,242**	**227,746**	**279,988**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of the allowance for impairment losses on loans and advances to customers (Continued):

Bank

	Year ended 31 December 2013		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2013	52,242	227,339	279,581
Impairment allowances on loans charged	16,313	72,927	89,240
Reversal of impairment allowances	(10,785)	(26,734)	(37,519)
Net additions	5,528	46,193	51,721
Write-offs and transfer out	(7,842)	(1,942)	(9,784)
Recovery of loans and advances written off in previous years	600	65	665
Unwinding of discount on allowance	(454)	(239)	(693)
Exchange difference	(24)	(242)	(266)
31 December 2013	**50,050**	**271,174**	**321,224**

	Year ended 31 December 2012		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2012	54,024	175,811	229,835
Impairment allowances on loans charged	16,618	75,815	92,433
Reversal of impairment allowances	(14,574)	(23,631)	(38,205)
Net additions	2,044	52,184	54,228
Write-offs	(3,482)	(527)	(4,009)
Recovery of loans and advances written off in previous years	80	20	100
Unwinding of discount on allowance	(423)	(134)	(557)
Exchange difference	(1)	(15)	(16)
31 December 2012	**52,242**	**227,339**	**279,581**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		149,808	194,742
Public sector and quasi-government		409,382	335,421
Financial institutions		52,030	38,981
Corporates		167,724	183,014
Subtotal		778,944	752,158
Equity instruments		819	661
Fund investments		988	2,684
Others		560	—
Total		**781,311**	**755,503**
Analyzed as:			
Debt securities			
Listed in Hong Kong		14,442	7,535
Listed outside Hong Kong	(1)	749,029	733,438
Unlisted		16,033	11,185
Equity instruments and fund investments			
Listed outside Hong Kong		1,141	2,502
Unlisted	(2)	666	843
Total		**781,311**	**755,503**

Bank

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		149,584	194,566
Public sector and quasi-government		409,382	335,011
Financial institutions		50,751	38,311
Corporates		166,494	181,802
Subtotal		776,211	749,690
Equity instruments		504	388
Total		**776,715**	**750,078**
Analyzed as:			
Debt securities			
Listed in Hong Kong		14,430	7,506
Listed outside Hong Kong	(1)	745,763	731,015
Unlisted		16,018	11,169
Equity instruments and fund investments			
Listed outside Hong Kong		—	164
Unlisted	(2)	504	224
Total		**776,715**	**750,078**

(1) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(2) Certain unlisted equity instruments are measured at cost because their fair value cannot be reliably measured.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 HELD-TO-MATURITY INVESTMENTS

Group

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		519,265	552,192
Public sector and quasi-government		808,838	656,045
Financial institutions		29,688	21,340
Corporates		166,623	79,439
Gross amount		1,524,414	1,309,016
Allowance for impairment losses-collectively assessed		(599)	(220)
Held-to-maturity investments, net		1,523,815	1,308,796
Analyzed as:			
Listed in Hong Kong		715	913
Listed outside Hong Kong	(1)	1,521,141	1,306,019
Unlisted		1,959	1,864
Total		**1,523,815**	**1,308,796**

Bank

		As at 31 December	
		2013	**2012**
Debt securities issued by:			
Governments		519,265	552,192
Public sector and quasi-government		808,838	655,884
Financial institutions		27,012	19,404
Corporates		163,482	77,689
Gross amount		1,518,597	1,305,169
Allowance for impairment losses-collectively assessed		(599)	(220)
Held-to-maturity investments, net		1,517,998	1,304,949
Analyzed as:			
Listed in Hong Kong		715	913
Listed outside Hong Kong	(1)	1,515,324	1,302,172
Unlisted		1,959	1,864
Total		**1,517,998**	**1,304,949**

(1) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

Group

		As at 31 December	
		2013	**2012**
Debt instruments:			
Receivable from the MOF	(1)	362,054	392,883
Special government bond	(2)	93,300	93,300
Public sector and quasi-government bonds		66,485	66,316
Financial institution bonds		27,124	23,420
Corporate bonds		31,018	20,971
Certificate treasury bonds and savings treasury bonds		6,037	10,707
Others		6,414	1,205
Gross amount, unlisted		592,432	608,802
Allowance for impairment losses			
Individually assessed		(44)	(51)
Collectively assessed		(298)	(157)
Total allowance for impairment losses		(342)	(208)
Debt instruments classified as receivables, net		**592,090**	**608,594**

Bank

		As at 31 December	
		2013	**2012**
Debt instruments:			
Receivable from the MOF	(1)	362,054	392,883
Special government bond	(2)	93,300	93,300
Public sector and quasi-government bonds		66,485	66,316
Financial institution bonds		27,124	23,414
Corporate bonds		31,018	20,565
Certificate treasury bonds and savings treasury bonds		5,820	10,455
Gross amount, unlisted		585,801	606,933
Allowance for impairment losses			
Individually assessed		(44)	(51)
Collectively assessed		(298)	(157)
Total allowance for impairment losses		(342)	(208)
Debt instruments classified as receivables, net		**585,459**	**606,725**

(1) Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China" (Caijin [2008] No. 138) issued by the Ministry of Finance (the "MOF"), receivable from the MOF is to be settled annually over a tentative period of 15 years starting from 1 January 2008 at an interest rate of 3.3% per annum.

(2) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 INVESTMENT IN SUBSIDIARIES

Bank

	As at 31 December	
	2013	**2012**
Investment cost	8,907	8,910
Allowance for impairment losses	(659)	(659)
Investments in subsidiaries	**8,248**	**8,251**

The following are the principal subsidiaries of the Bank as at 31 December 2013:

Name of entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.	1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited	11 November 2009	Hong Kong, PRC	HKD2,913,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.	29 September 2010	Shanghai, PRC	RMB2,000,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited	29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.	18 March 2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company	12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company (1)	12 August 2008	Hubei, PRC	RMB20,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company	25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company	30 March 2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company	20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company	24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd. (2)	19 December 2005	Beijing, PRC	RMB2,032,653,061	51.00	51.00	Life insurance

(1) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over this entity and has included it in its consolidation scope.

(2) At 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd., and renamed it as ABC Life Insurance Co., Ltd..

For the year ended 31 December 2013, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 PROPERTY AND EQUIPMENT

Group

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2013	112,618	48,476	4,030	26,375	191,499
Additions	2,001	8,472	964	13,503	24,940
Transfers	10,196	1,000	—	(11,196)	—
Disposals	(521)	(2,634)	(248)	—	(3,403)
31 December 2013	124,294	55,314	4,746	28,682	213,036
Accumulated depreciation					
1 January 2013	(24,688)	(22,141)	(2,873)	—	(49,702)
Charge for the year	(7,011)	(7,795)	(313)	—	(15,119)
Eliminated on disposals	170	2,536	239	—	2,945
31 December 2013	(31,529)	(27,400)	(2,947)	—	(61,876)
Allowance for impairment losses					
1 January 2013	(293)	(10)	(3)	(1)	(307)
Impairment loss	(14)	—	—	—	(14)
Eliminated on disposals	19	—	1	—	20
31 December 2013	(288)	(10)	(2)	(1)	(301)
Carrying value					
31 December 2013	**92,477**	**27,904**	**1,797**	**28,681**	**150,859**
1 January 2013	87,637	26,325	1,154	26,374	141,490
Cost					
1 January 2012	105,756	39,204	4,077	20,837	169,874
Additions	1,312	9,815	128	12,949	24,204
Transfers	6,353	786	5	(7,144)	—
Disposals	(1,040)	(1,345)	(183)	(267)	(2,835)
Acquisitions through business combination	237	16	3	—	256
31 December 2012	112,618	48,476	4,030	26,375	191,499
Accumulated depreciation					
1 January 2012	(18,560)	(16,555)	(2,652)	—	(37,767)
Charge for the year	(6,306)	(6,803)	(388)	—	(13,497)
Eliminated on disposals	178	1,217	167	—	1,562
31 December 2012	(24,688)	(22,141)	(2,873)	—	(49,702)
Allowance for impairment losses					
1 January 2012	(278)	(10)	(3)	(1)	(292)
Impairment loss	(22)	(1)	—	—	(23)
Eliminated on disposals	7	1	—	—	8
31 December 2012	(293)	(10)	(3)	(1)	(307)
Carrying value					
31 December 2012	**87,637**	**26,325**	**1,154**	**26,374**	**141,490**
1 January 2012	86,918	22,639	1,422	20,836	131,815

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 PROPERTY AND EQUIPMENT (Continued)

Bank

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2013	112,171	48,283	4,006	25,477	189,937
Additions	1,970	8,453	963	13,013	24,399
Transfers	9,297	1,000	—	(10,297)	—
Disposals	(511)	(2,621)	(247)	—	(3,379)
31 December 2013	122,927	55,115	4,722	28,193	210,957
Accumulated depreciation					
1 January 2013	(24,618)	(22,054)	(2,862)	—	(49,534)
Charge for the year	(6,970)	(7,778)	(309)	—	(15,057)
Eliminated on disposals	167	2,530	239	—	2,936
31 December 2013	(31,421)	(27,302)	(2,932)	—	(61,655)
Allowance for impairment losses					
1 January 2013	(293)	(10)	(3)	(1)	(307)
Impairment loss	(14)	—	—	—	(14)
Eliminated on disposals	19	—	1	—	20
31 December 2013	(288)	(10)	(2)	(1)	(301)
Carrying value					
31 December 2013	**91,218**	**27,803**	**1,788**	**28,192**	**149,001**
1 January 2013	87,260	26,219	1,141	25,476	140,096
Cost					
1 January 2012	105,462	39,049	4,062	20,216	168,789
Additions	1,309	9,790	121	12,649	23,869
Transfers	6,332	784	5	(7,121)	—
Disposals	(932)	(1,340)	(182)	(267)	(2,721)
31 December 2012	112,171	48,283	4,006	25,477	189,937
Accumulated depreciation					
1 January 2012	(18,471)	(16,485)	(2,645)	—	(37,601)
Charge for the year	(6,299)	(6,782)	(384)	—	(13,465)
Eliminated on disposals	152	1,213	167	—	1,532
31 December 2012	(24,618)	(22,054)	(2,862)	—	(49,534)
Allowance for impairment losses					
1 January 2012	(278)	(10)	(3)	(1)	(292)
Impairment loss	(22)	(1)	—	—	(23)
Eliminated on disposals	7	1	—	—	8
31 December 2012	(293)	(10)	(3)	(1)	(307)
Carrying value					
31 December 2012	**87,260**	**26,219**	**1,141**	**25,476**	**140,096**
1 January 2012	86,713	22,554	1,414	20,215	130,896

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 PROPERTY AND EQUIPMENT (Continued)

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2013, the registration transfer process has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

The carrying amounts of buildings located on land with the following remaining lease terms are as follows:

Group

	As at 31 December	
	2013	**2012**
Held in Hong Kong		
on long-term lease (over 50 years)	83	139
on medium-term lease (10–50 years)	—	2
Subtotal	83	141
Held outside Hong Kong		
on long-term lease (over 50 years)	4,451	3,580
on medium-term lease (10–50 years)	79,003	75,165
on short-term lease (less than 10 years)	8,940	8,751
Subtotal	92,394	87,496
Total	**92,477**	**87,637**

Bank

	As at 31 December	
	2013	**2012**
Held in Hong Kong		
on long-term lease (over 50 years)	83	88
Held outside Hong Kong		
on long-term lease (over 50 years)	4,451	3,580
on medium-term lease (10–50 years)	77,744	74,841
on short-term lease (less than 10 years)	8,940	8,751
Subtotal	91,135	87,172
Total	**91,218**	**87,260**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 GOODWILL

Group

Subsidiary acquired	1 January 2013	Addition	Disposal	31 December 2013	Allowance for impairment losses
ABC Life Insurance Co., Ltd.	1,381	—	—	1,381	—

Subsidiary acquired	1 January 2012	Addition	Disposal	31 December 2012	Allowance for impairment losses
ABC Life Insurance Co., Ltd.	—	1,381	—	1,381	—

26 DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

Group

	As at 31 December	
	2013	**2012**
Deferred tax assets	74,075	56,949
Deferred tax liabilities	(8)	(15)
	74,067	**56,934**

Bank

	As at 31 December	
	2013	**2012**
Deferred tax assets	73,938	56,934
	73,938	**56,934**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DEFERRED TAXATION (Continued)

(1) The following are the movements and major deferred tax assets and liabilities recognized:

Group

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2013	46,289	6,388	2,944	879	437	(3)	56,934
Credit/(charge) to the consolidated income statement	9,848	(223)	(355)	302	347	(13)	9,906
Credit to other comprehensive income	—	—	—	—	7,227	—	7,227
31 December 2013	**56,137**	**6,165**	**2,589**	**1,181**	**8,011**	**(16)**	**74,067**

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2012	36,035	5,411	3,248	699	300	(22)	45,671
Credit/(charge) to the consolidated income statement	10,254	977	(304)	180	(667)	19	10,459
Credit to other comprehensive income	—	—	—	—	804	—	804
31 December 2012	**46,289**	**6,388**	**2,944**	**879**	**437**	**(3)**	**56,934**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DEFERRED TAXATION (Continued)

(1) The following are the movements and major deferred tax assets and liabilities recognized (Continued):

Bank

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2013	46,287	6,380	2,944	879	444	—	56,934
Credit/(charge) to the income statement	9,737	(223)	(355)	302	347	(13)	9,795
Credit to other comprehensive income	—	—	—	—	7,209	—	7,209
31 December 2013	**56,024**	**6,157**	**2,589**	**1,181**	**8,000**	**(13)**	**73,938**

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2012	36,035	5,402	3,248	699	300	—	45,684
Credit/(charge) to the income statement	10,252	978	(304)	180	(660)	—	10,446
Credit to other comprehensive income	—	—	—	—	804	—	804
31 December 2012	**46,287**	**6,380**	**2,944**	**879**	**444**	**—**	**56,934**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DEFERRED TAXATION (Continued)

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

Group

	31 December 2013		31 December 2012	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	224,604	56,137	185,156	46,289
Fair value changes of financial instruments	42,899	10,725	7,761	1,941
Accrued but not paid staff cost	24,661	6,165	25,554	6,388
Early retirement benefits	10,356	2,589	11,777	2,944
Provision	4,723	1,181	3,515	879
Others	40	9	18	5
Subtotal	307,283	76,806	233,781	58,446
Deferred tax liabilities				
Fair value changes of financial instruments	(10,857)	(2,714)	(6,014)	(1,504)
Others	(157)	(25)	(48)	(8)
Subtotal	(11,014)	(2,739)	(6,062)	(1,512)
Net	**296,269**	**74,067**	**227,719**	**56,934**

Bank

	31 December 2013		31 December 2012	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	224,152	56,024	185,147	46,287
Fair value changes of financial instruments	42,831	10,708	7,761	1,940
Accrued but not paid staff cost	24,627	6,157	25,522	6,380
Early retirement benefits	10,356	2,589	11,777	2,944
Provision	4,723	1,181	3,515	879
Others	22	4	—	—
Subtotal	306,711	76,663	233,722	58,430
Deferred tax liabilities				
Fair value changes of financial instruments	(10,831)	(2,708)	(5,986)	(1,496)
Others	(106)	(17)	—	—
Subtotal	(10,937)	(2,725)	(5,986)	(1,496)
Net	**295,774**	**73,938**	**227,736**	**56,934**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 OTHER ASSETS

Group

		As at 31 December	
		2013	**2012**
Interest receivable		75,022	59,993
Land use rights	(1)	23,857	24,492
Accounts receivable and temporary payments	(2)	18,656	8,910
Premiums receivable and reinsurance assets		9,346	3,721
Long-term deferred expenses		3,480	3,062
Investment property		3,312	3,430
Intangible assets		2,627	2,106
Foreclosed assets		873	896
Others		1,435	873
Total		**138,608**	**107,483**

Bank

		As at 31 December	
		2013	**2012**
Interest receivable		74,607	59,554
Land use rights	(1)	23,838	24,474
Accounts receivable and temporary payments	(2)	17,210	4,680
Long-term deferred expenses		3,470	3,049
Investment property		2,905	3,000
Intangible assets		2,426	1,885
Foreclosed assets		873	896
Others		1,355	785
Total		**126,684**	**98,323**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 OTHER ASSETS (Continued)

(1) Land use rights

The carrying amount of land use rights (including leasehold land in Hong Kong) analysed by the remaining terms of the leases:

Group

	As at 31 December	
	2013	**2012**
Held in Hong Kong		
on long-term lease (over 50 years)	1,023	1,055
Held outside Hong Kong		
on long-term lease (over 50 years)	367	327
on medium-term lease (10-50 years)	22,402	23,066
on short-term lease (less than 10 years)	65	44
Subtotal	22,834	23,437
Total	**23,857**	**24,492**

Bank

	As at 31 December	
	2013	**2012**
Held in Hong Kong		
on long-term lease (over 50 years)	1,023	1,055
Held outside Hong Kong		
on long-term lease (over 50 years)	367	327
on medium-term lease (10-50 years)	22,383	23,048
on short-term lease (less than 10 years)	65	44
Subtotal	22,815	23,419
Total	**23,838**	**24,474**

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2013, the registration transfer process has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(2) Accounts receivable and temporary payments primarily include items in the process of clearing and settlement.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2013	**2012**
Deposits from:		
Domestic banks	172,322	251,549
Other domestic financial institutions	547,711	531,647
Overseas banks	8,153	702
Other overseas financial institutions	1,168	454
Total	**729,354**	**784,352**

Bank

	As at 31 December	
	2013	**2012**
Deposits from:		
Domestic banks	173,459	251,755
Other domestic financial institutions	549,413	535,350
Overseas banks	8,154	702
Other overseas financial institutions	1,168	939
Total	**732,194**	**788,746**

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2013	**2012**
Placements from:		
Domestic banks and other financial institutions	64,511	73,416
Overseas banks and other financial institutions	109,852	76,305
Total	**174,363**	**149,721**

Bank

	As at 31 December	
	2013	**2012**
Placements from:		
Domestic banks and other financial institutions	38,135	51,316
Overseas banks and other financial institutions	107,789	75,991
Total	**145,924**	**127,307**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 FINANCIAL LIABILITIES HELD FOR TRADING

The financial liabilities held for trading are liabilities related to precious metal contracts.

31 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Bank

		As at 31 December	
		2013	**2012**
Principal guaranteed wealth management products	(1)	285,454	155,065
Others		—	6
Total		**285,454**	**155,071**

(1) The Group designates wealth management products with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 31 December 2013, the fair value of these products issued by the Group and the Bank were lower than the contractual amount payable to the holders of these products upon maturity by RMB6,104 million (Group and Bank as at 31 December 2012: RMB3,234 million lower than the contractual amount).

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in the Group's own credit risk.

32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Group

	As at 31 December	
	2013	**2012**
Analyzed by type of collateral:		
Debt securities	26,391	7,415
Bills	37	216
Loans	359	—
Total	**26,787**	**7,631**

Bank

	As at 31 December	
	2013	**2012**
Analyzed by type of collateral:		
Debt securities	24,633	7,415
Bills	37	216
Total	**24,670**	**7,631**

The collateral pledged under repurchase agreement is disclosed in Note IV 45 Contingent Liabilities and Comments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 DUE TO CUSTOMERS

Group

		As at 31 December	
		2013	**2012**
Demand deposits			
Corporate customers		3,014,858	2,706,447
Individual customers		3,437,661	3,221,969
Time deposits			
Corporate customers		1,345,988	1,314,629
Individual customers		3,490,197	3,200,531
Pledged deposits	(1)	247,656	216,879
Others		275,051	202,480
Total		**11,811,411**	**10,862,935**

Bank

		As at 31 December	
		2013	**2012**
Demand deposits			
Corporate customers		3,014,816	2,706,259
Individual customers		3,437,536	3,221,847
Time deposits			
Corporate customers		1,346,016	1,314,555
Individual customers		3,489,914	3,200,377
Pledged deposits	(1)	244,830	216,869
Others		275,051	202,480
Total		**11,808,163**	**10,862,387**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 DUE TO CUSTOMERS (Continued)

(1) Analyzed by the activity to which the deposits are related:

Group

	As at 31 December	
	2013	**2012**
Bank acceptances	89,842	70,409
Guarantee and letters of guarantee	45,625	29,800
Trade finance	30,305	44,638
Letters of credit	29,918	27,535
Others	51,966	44,497
Total	**247,656**	**216,879**

Bank

	As at 31 December	
	2013	**2012**
Bank acceptances	89,842	70,409
Guarantee and letters of guarantee	45,625	29,800
Trade finance	30,305	44,638
Letters of credit	29,918	27,535
Others	49,140	44,487
Total	**244,830**	**216,869**

34 DEBT SECURITIES ISSUED

Group and Bank

		As at 31 December	
		2013	**2012**
Bonds issued	(1)	156,300	150,885
Certificates of deposit issued	(2)	109,961	41,754
Total		**266,261**	**192,639**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 DEBT SECURITIES ISSUED (Continued)

(1) The carrying value of the Group's bonds issued are as follows:

		As at 31 December	
		2013	**2012**
3.3% subordinated fixed rate bonds maturing in May 2019	(i)	20,000	20,000
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	25,000	25,000
Subordinated floating rate bonds maturing in May 2019	(iii)	5,000	5,000
5.3% subordinated fixed rate bonds maturing in June 2026	(iv)	50,000	50,000
3.2% fixed rate RMB bonds maturing in November 2015	(v)	1,000	1,000
4.99% subordinated fixed rate bonds maturing in December 2027	(vi)	50,000	50,000
3.3% fixed rate RMB bonds maturing in November 2016	(vii)	1,250	—
3.6% fixed rate RMB bonds maturing in November 2018	(viii)	250	—
2.875% fixed rate USD bonds maturing in December 2018	(ix)	3,049	—
2.4% fixed rate RMB bonds maturing in June 2014	(x)	150	—
2.45% fixed rate RMB bonds maturing in June 2014	(xi)	600	—
2.9% fixed rate RMB bonds maturing December 2014	(xii)	105	—
Total nominal value		156,404	151,000
Less: Unamortized issuance cost		(104)	(115)
Carrying value		**156,300**	**150,885**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 DEBT SECURITIES ISSUED (Continued)

(1) The carrying value of the Group's bonds issued are as follows (Continued):

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Bank are set out as below:

(i) The subordinated fixed rate bonds issued in May 2009 have a tenor of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 6.3% per annum from 20 May 2014 onwards.

(ii) The subordinated fixed rate bonds issued in May 2009 have a tenor of 15 years, with a fixed coupon rate of 4.0%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2019. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 onwards.

(iii) The subordinated floating rate bonds issued in May 2009 have a tenor of 10 years. The coupon rate is based on the PBOC one-year fixed deposit rate on the issue date and reset annually plus 60 basis points. Interest is payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2014. If the Bank does not exercise this option, the interest rate of the bonds will be adjusted to the PBOC one-year fixed deposit rate plus 360 basis points from 20 May 2014 onwards.

(iv) The subordinated fixed rate bonds issued in June 2011 have a tenor of 15 years, with a fixed coupon rate of 5.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 7 June 2021. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 5.3% per annum from 7 June 2021 onwards.

(v) The RMB bonds issued in Hong Kong in November 2012 have a tenor of 3 years, with a fixed coupon rate 3.2%, payable semi-annually.

(vi) The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 December 2022. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 4.99% per annum from 20 December 2022 onwards.

(vii) The RMB fixed rate medium term note issued in Taiwan in December 2013 have a tenor of 3 years, with a fixed coupon rate of 3.3%, payable semi-annually.

(viii) The RMB fixed rate medium term note issued in Taiwan in December 2013 have a tenor of 5 years, with a fixed coupon rate of 3.6%, payable semi-annually.

(ix) The USD fixed rate medium term note issued in December 2013, in Hong Kong, have a tenor of 5 years, with a fixed coupon rate of 2.875%, payable semi-annually.

(x) The RMB fixed rate medium term note issued in December 2013 have a tenor of six months, with a fixed coupon rate of 2.4%, payable when mature.

(xi) The RMB fixed rate medium term note issued in December 2013 have a tenor of six months, with a fixed coupon rate of 2.45%, payable when mature.

(xii) The RMB fixed rate medium term note issued in December 2013 have a tenor of 1 year, with a fixed coupon rate of 2.9%, payable when mature.

As at 31 December 2013 and 2012, there was no default related to any debt securities issued.

(2) Certificates of deposit as at 31 December 2013 were primarily issued by the Hong Kong Branch, the Singapore Branch and the New York Branch of the Bank and were measured at amortized cost.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER LIABILITIES

Group

		As at 31 December	
		2013	**2012**
Interest payable		163,328	133,744
Clearing and settlement		51,365	38,925
Staff costs payable	(1)	45,573	47,697
Income taxes payable		44,263	40,419
Insurance liabilities		30,864	21,370
Business and other taxes payable		7,492	8,034
Provision		4,723	4,090
Dormant accounts		1,871	1,912
Amount payable to the MOF	(2)	1,539	1,610
Others		44,365	33,569
Total		**395,383**	**331,370**

Bank

		As at 31 December	
		2013	**2012**
Interest payable		163,221	133,759
Clearing and settlement		51,346	38,914
Staff costs payable	(1)	45,220	47,515
Income taxes payable		44,132	40,344
Business and other taxes payable		7,492	8,030
Provision		4,723	4,090
Dormant accounts		1,871	1,912
Amount payable to the MOF	(2)	1,539	1,610
Others		41,560	28,727
Total		**361,104**	**304,901**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER LIABILITIES (Continued)

(1) *Staff costs payable*

Group

	2013			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowances and subsidies (i)	25,704	63,758	(64,489)	24,973
Social insurance (i)	1,866	16,939	(17,921)	884
Housing funds	301	7,213	(7,269)	245
Labor union fees and staff education expenses	2,304	2,827	(2,405)	2,726
Early retirement benefits (ii)	11,777	1,854	(3,275)	10,356
Others	5,745	12,138	(11,494)	6,389
Total	**47,697**	**104,729**	**(106,853)**	**45,573**

	2012			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowances and subsidies (i)	21,697	58,315	(54,308)	25,704
Social insurance (i)	847	14,689	(13,670)	1,866
Housing funds	274	6,078	(6,051)	301
Labor union fees and staff education expenses	1,981	2,613	(2,290)	2,304
Early retirement benefits (ii)	12,992	2,005	(3,220)	11,777
Others	2,826	11,147	(8,228)	5,745
Total	**40,617**	**94,847**	**(87,767)**	**47,697**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER LIABILITIES (Continued)

(1) *Staff costs payable* (Continued)

Bank

	2013			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowances and subsidies (i)	25,553	62,969	(63,895)	24,627
Social insurance (i)	1,849	16,869	(17,834)	884
Housing funds	299	7,183	(7,238)	244
Labor union fees and staff education expenses	2,298	2,823	(2,395)	2,726
Early retirement benefits (ii)	11,777	1,854	(3,275)	10,356
Others	5,739	12,045	(11,401)	6,383
Total	**47,515**	**103,743**	**(106,038)**	**45,220**

	2012			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowances and subsidies (i)	21,637	57,949	(54,033)	25,553
Social insurance (i)	847	14,659	(13,657)	1,849
Housing funds	274	6,068	(6,043)	299
Labor union fees and staff education expenses	1,978	2,602	(2,282)	2,298
Early retirement benefits (ii)	12,992	2,005	(3,220)	11,777
Others	2,822	11,116	(8,199)	5,739
Total	**40,550**	**94,399**	**(87,434)**	**47,515**

(i) Salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance are timely distributed and paid in accordance with the related laws and regulations and the Group's policy.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER LIABILITIES (Continued)

(1) *Staff costs payable* (Continued)

(ii) Early retirement benefits

The amounts recognized in the consolidated income statement in respect of the early retirement benefits are as follows:

Group and Bank

	Year ended 31 December	
	2013	**2012**
Interest cost	333	336
Actuarial loss recognized in the year	1,002	748
Past service cost	519	921
Total	**1,854**	**2,005**

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2013	**2012**
Discount rate	4.38%	3.19%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (year 2000–2003) (published historical statistics in China).

For the current and prior year, the Group has no default on the above staff costs payables.

(2) *Amount payable to the MOF*

Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China" (Caijin [2008] No. 138) issued by the MOF, the MOF commissioned the Bank to manage and dispose of non-performing assets transferred. The amount payable to the MOF represents proceeds collected by the Group from the disposal of these non-performing assets on behalf of the MOF.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 SHARE CAPITAL

For the current and prior year, there was no change in the Bank's share capital.

	As at 31 December 2013 and 2012	
	Number of shares (millions)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	294,055	294,055
H shares of RMB1 each	30,739	30,739
Total	**324,794**	**324,794**

A share refers to the ordinary shares listed in the Mainland China. They are offered and traded in RMB. H share refers to the ordinary shares listed in Hong Kong. Their par value is denominated in RMB. They were initially offered and are currently traded in HKD.

As at 31 December 2013, 9,892 million A shares and none of the H shares of the Bank with par value of RMB1 per share were subject to lock-up restriction respectively (31 December 2012: 268,485 million A shares and none of the H shares, respectively).

37 CAPITAL RESERVE

The capital reserve represents the premium related to shares issued by the Bank in 2010. Share premium was recorded in the capital reserve after deducting direct issue costs, which consisted primarily of underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 INVESTMENT REVALUATION RESERVE

Group

	2013		
	Gross amount	Tax effect	Net effect
1 January 2013	(1,224)	323	(901)
Fair value changes on available-for-sale financial assets	(29,440)	7,306	(22,134)
Transferred to the consolidated income statement upon disposal of available-for-sale financial assets	351	(88)	263
31 December 2013	**(30,313)**	**7,541**	**(22,772)**

	2012		
	Gross amount	Tax effect	Net effect
1 January 2012	1,805	(481)	1,324
Fair value changes on available-for-sale financial assets	(3,004)	798	(2,206)
Transferred to the consolidated income statement upon disposal of available-for-sale financial assets	(25)	6	(19)
31 December 2012	**(1,224)**	**323**	**(901)**

Bank

	2013		
	Gross amount	Tax effect	Net effect
1 January 2013	(1,221)	323	(898)
Fair value changes on available-for-sale financial assets	(29,492)	7,317	(22,175)
Transferred to the income statement upon disposal of available-for-sale financial assets	431	(108)	323
31 December 2013	**(30,282)**	**7,532**	**(22,750)**

	2012		
	Gross amount	Tax effect	Net effect
1 January 2012	1,800	(481)	1,319
Fair value changes on available-for-sale financial assets	(3,002)	798	(2,204)
Transferred to the income statement upon disposal of available-for-sale financial assets	(19)	6	(13)
31 December 2012	**(1,221)**	**323**	**(898)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 25 March 2014, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB16,578 million (2012: RMB14,473 million) was approved.

Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the share capital.

40 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective 1 July 2012, in addition to the impairment allowance, the Bank establishes a General Reserve within equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The General Reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The General Reserve includes regulatory reserve appropriated by the Bank's Overseas Institutions pursuant to local regulatory requirements.

Pursuant to relevant PRC regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as General Reserves.

During the year ended 31 December 2013, the Group and the Bank transferred RMB63,855 million (2012: RMB10,495 million) and RMB63,570 million (2012: RMB10,483 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB63,482 million (2012: RMB10,405 million) related to the appropriation proposed for the year ended 31 December 2012 which was approved in the annual general meeting held on 18 June 2013.

41 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

Group

	As at 31 December	
	2013	**2012**
Cash	99,759	93,096
Balance with central banks	101,697	158,332
Deposits with banks and other financial institutions	76,223	87,477
Placements with banks and other financial institutions	146,383	105,731
Financial assets held under resale agreements	389,737	508,300
Total	**813,799**	**952,936**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information. They are financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Bingtuan), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Overseas branches and subsidiaries

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the year ended 31 December 2013

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	175,921	107,759	67,730	76,239	58,502	99,305	17,545	10,383	—	613,384
External interest expense	(17,657)	(51,665)	(30,477)	(43,229)	(35,706)	(40,339)	(12,352)	(5,757)	—	(237,182)
Inter-segment interest (expense)/income	(121,899)	21,851	11,332	28,818	26,494	25,072	8,311	21	—	—
Net interest income	36,365	77,945	48,585	61,828	49,290	84,038	13,504	4,647	—	376,202
Fee and commission income	9,644	19,396	13,443	13,062	12,705	17,342	3,126	979	—	89,697
Fee and commission expense	(410)	(1,096)	(1,151)	(968)	(1,233)	(1,325)	(332)	(11)	—	(6,526)
Net fee and commission income	9,234	18,300	12,292	12,094	11,472	16,017	2,794	968	—	83,171
Net trading gain/(loss)	1,618	786	185	129	149	368	125	(1,000)	—	2,360
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(382)	(217)	(123)	40	—	(2)	—	45	—	(639)
Net (loss)/gain on investment securities	(434)	—	—	—	—	—	—	84	—	(350)
Other operating (expenses)/income	(2,036)	1,139	606	638	809	1,911	132	1,828	—	5,027
Operating income	44,365	97,953	61,545	74,729	61,720	102,332	16,555	6,572	—	465,771
Operating expenses	(7,649)	(36,650)	(24,707)	(30,442)	(33,423)	(48,046)	(14,481)	(3,209)	—	(198,607)
Impairment losses on assets	(1,370)	(18,545)	(7,442)	(5,930)	(6,000)	(8,328)	(4,990)	(385)	—	(52,990)
Profit/(loss) before tax	35,346	42,758	29,396	38,357	22,297	45,958	(2,916)	2,978	—	214,174
Income tax expense										(47,963)
Profit for the year										166,211
Depreciation and amortization included in operating expenses	(1,412)	(3,071)	(2,011)	(2,605)	(3,051)	(3,892)	(1,291)	(128)	—	(17,461)
Capital expenditure	1,990	3,521	3,092	4,244	4,780	7,372	2,107	639	—	27,745
As at 31 December 2013										
Segment assets	3,753,134	2,952,862	1,781,197	2,504,764	2,070,925	2,892,185	656,673	411,586	(2,535,299)	14,488,027
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	1	—	1
Unallocated assets										74,075
Total assets										14,562,102
Include: non-current assets[1]	10,569	37,238	18,270	29,286	29,414	40,097	12,556	8,087	—	185,517
Segment liabilities	(3,010,413)	(2,937,132)	(1,770,841)	(2,490,676)	(2,059,375)	(2,876,763)	(660,204)	(403,189)	2,535,299	(13,673,294)
Unallocated liabilities										(44,271)
Total liabilities										(13,717,565)
Credit commitments	37,739	434,829	221,253	330,680	161,443	204,160	50,915	40,926	—	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the year ended 31 December 2012

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	163,171	104,202	61,401	71,536	52,098	91,362	16,231	6,062	—	566,063
External interest expense	(13,926)	(53,180)	(30,433)	(42,336)	(32,146)	(37,590)	(11,354)	(3,219)	—	(224,184)
Inter-segment interest (expense)/income	(114,899)	22,294	12,263	27,296	23,566	21,693	7,787	—	—	—
Net interest income	34,346	73,316	43,231	56,496	43,518	75,465	12,664	2,843	—	341,879
Fee and commission income	6,961	18,102	11,620	11,178	11,628	15,536	2,699	849	—	78,573
Fee and commission expense	(180)	(871)	(627)	(678)	(509)	(706)	(155)	(3)	—	(3,729)
Net fee and commission income	6,781	17,231	10,993	10,500	11,119	14,830	2,544	846	—	74,844
Net trading gain	1,562	482	50	131	142	522	145	36	—	3,070
Net gain/(loss) on financial instruments designated at fair value through profit or loss	442	(507)	(87)	(54)	(4)	(79)	—	(20)	—	(309)
Net (loss)/gain on investment securities	(37)	—	—	—	—	—	—	9	—	(28)
Other operating (expenses)/income	(143)	1,128	588	644	625	1,736	166	764	—	5,508
Operating income	42,951	91,650	54,775	67,717	55,400	92,474	15,519	4,478	—	424,964
Operating expenses	(8,833)	(35,031)	(22,089)	(28,348)	(30,456)	(43,317)	(13,534)	(1,194)	—	(182,802)
Impairment reversals/(losses) on assets	808	(17,738)	(7,154)	(11,394)	(3,741)	(10,835)	(3,704)	(477)	—	(54,235)
Profit/(loss) before tax	34,926	38,881	25,532	27,975	21,203	38,322	(1,719)	2,807	—	187,927
Income tax expense										(42,796)
Profit for the year										145,131
Depreciation and amortization included in operating expenses	(1,580)	(2,813)	(1,739)	(2,284)	(2,587)	(3,308)	(1,128)	(57)	—	(15,496)
Capital expenditure	1,454	3,640	3,077	4,217	4,428	6,544	2,051	5,041	—	30,452
As at 31 December 2012										
Segment assets	3,324,094	2,817,620	1,701,935	2,238,833	1,897,828	2,670,956	618,675	282,469	(2,365,017)	13,187,393
Including: Investments in associates and joint ventures	—	—	—	—	108	—	—	—	—	108
Unallocated assets										56,949
Total assets										13,244,342
Include: non-current assets(1)	8,786	36,753	15,329	25,197	21,245	36,321	10,438	2,476	—	156,545
Segment liabilities	(2,674,506)	(2,792,418)	(1,688,309)	(2,226,780)	(1,885,574)	(2,654,775)	(619,235)	(275,974)	2,365,017	(12,452,554)
Unallocated liabilities										(40,434)
Total liabilities										(12,492,988)
Credit commitments	37,898	413,763	231,700	306,188	174,437	236,836	50,193	38,376	—	1,489,391

(1) *Non-current assets include property and equipment, investment properties, land use rights, intangible assets and other long-term assets.*

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

For the year ended 31 December 2013

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
External interest income	307,360	114,527	188,071	3,426	613,384
External interest expense	(85,716)	(126,896)	(23,076)	(1,494)	(237,182)
Inter-segment interest (expense)/ income	(17,217)	156,155	(138,938)	—	—
Net interest income	204,427	143,786	26,057	1,932	376,202
Fee and commission income	48,934	39,686	1	1,076	89,697
Fee and commission expense	(1,959)	(4,558)	(1)	(8)	(6,526)
Net fee and commission income	46,975	35,128	—	1,068	83,171
Net trading gain	—	—	2,353	7	2,360
Net (loss)/gain on financial instruments designated at fair value through profit or loss	—	—	(668)	29	(639)
Net (loss)/gain on investment securities	—	—	(431)	81	(350)
Other operating income	1,690	1,309	605	1,423	5,027
Operating income	253,092	180,223	27,916	4,540	465,771
Operating expenses	(88,401)	(90,876)	(16,174)	(3,156)	(198,607)
Impairment losses on assets	(23,305)	(28,719)	(559)	(407)	(52,990)
Profit before tax	141,386	60,628	11,183	977	214,174
Income tax expense					(47,963)
Profit for the year					166,211
Depreciation and amortization included in operating expenses	(3,920)	(10,089)	(3,375)	(77)	(17,461)
Capital expenditure	6,251	16,087	5,381	26	27,745
At 31 December 2013					
Segment assets	5,061,143	2,404,907	6,937,843	84,134	14,488,027
Including: Investments in associates and joint ventures	—	—	—	1	1
Unallocated assets					74,075
Total assets					14,562,102
Segment liabilities	(5,206,616)	(7,444,267)	(948,506)	(73,905)	(13,673,294)
Unallocated liabilities					(44,271)
Total liabilities					(13,717,565)
Credit commitments	1,181,880	300,065	—	—	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

For the year ended 31 December 2012

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
External interest income	288,985	98,489	176,951	1,638	566,063
External interest expense	(75,055)	(128,340)	(19,764)	(1,025)	(224,184)
Inter-segment interest (expense)/ income	(7,920)	145,811	(137,891)	—	—
Net interest income	206,010	115,960	19,296	613	341,879
Fee and commission income	43,115	34,638	—	820	78,573
Fee and commission expense	(1,291)	(2,436)	—	(2)	(3,729)
Net fee and commission income	41,824	32,202	—	818	74,844
Net trading gain	—	—	2,986	84	3,070
Net loss on financial instruments designated at fair value through profit or loss	—	—	(279)	(30)	(309)
Net (loss)/gain on investment securities	—	—	(35)	7	(28)
Other operating income	1,688	1,236	1,505	1,079	5,508
Operating income	249,522	149,398	23,473	2,571	424,964
Operating expenses	(87,048)	(82,341)	(12,297)	(1,116)	(182,802)
Impairment (losses)/reversals on assets	(35,513)	(19,328)	1,028	(422)	(54,235)
Profit before tax	126,961	47,729	12,204	1,033	187,927
Income tax expense					(42,796)
Profit for the year					145,131
Depreciation and amortization included in operating expenses	(3,876)	(9,159)	(2,416)	(45)	(15,496)
Capital expenditure	7,087	17,935	4,963	467	30,452
At 31 December 2012					
Segment assets	4,609,227	1,853,401	6,661,908	62,857	13,187,393
Including: Investments in associates and joint ventures	—	—	—	108	108
Unallocated assets					56,949
Total assets					13,244,342
Segment liabilities	(4,584,002)	(6,759,389)	(1,056,194)	(52,969)	(12,452,554)
Unallocated liabilities					(40,434)
Total liabilities					(12,492,988)
Credit commitments	1,190,832	298,559	—	—	1,489,391

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches ("Overseas Institutions") and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

For the year ended 31 December 2013

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	144,389	468,995	—	613,384
External interest expense	(82,146)	(155,036)	—	(237,182)
Inter-segment interest income/ (expense)	92,253	(92,253)	—	—
Net interest income	154,496	221,706	—	376,202
Fee and commission income	31,833	57,864	—	89,697
Fee and commission expense	(2,618)	(3,908)	—	(6,526)
Net fee and commission income	29,215	53,956	—	83,171
Net trading gain	357	2,003	—	2,360
Net loss on financial instruments designated at fair value through profit or loss	(137)	(502)	—	(639)
Net loss on investment securities	—	(350)	—	(350)
Other operating income	2,154	2,873	—	5,027
Operating income	186,085	279,686	—	465,771
Operating expenses	(84,944)	(113,663)	—	(198,607)
Impairment losses on assets	(23,895)	(29,095)	—	(52,990)
Profit before tax	77,246	136,928	—	214,174
Income tax expense				(47,963)
Profit for the year				166,211
Depreciation and amortization included in operating expenses	(7,933)	(9,528)	—	(17,461)
Capital expenditure	9,660	18,085	—	27,745
At 31 December 2013				
Segment assets	5,477,335	9,076,193	(65,501)	14,488,027
Including: Investments in associates and joint ventures	—	1	—	1
Unallocated assets				74,075
Total assets				14,562,102
Segment liabilities	(5,191,798)	(8,546,997)	65,501	(13,673,294)
Unallocated liabilities				(44,271)
Total liabilities				(13,717,565)
Credit commitments	286,409	1,195,536	—	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

For the year ended 31 December 2012

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	131,796	434,267	—	566,063
External interest expense	(77,192)	(146,992)	—	(224,184)
Inter-segment interest income/ (expense)	83,695	(83,695)	—	—
Net interest income	138,299	203,580	—	341,879
Fee and commission income	28,131	50,442	—	78,573
Fee and commission expense	(1,397)	(2,332)	—	(3,729)
Net fee and commission income	26,734	48,110	—	74,844
Net trading gain	185	2,885	—	3,070
Net loss on financial instruments designated at fair value through profit or loss	(190)	(119)	—	(309)
Net loss on investment securities	—	(28)	—	(28)
Other operating income	2,291	3,217	—	5,508
Operating income	167,319	257,645	—	424,964
Operating expenses	(77,516)	(105,286)	—	(182,802)
Impairment losses on assets	(26,087)	(28,148)	—	(54,235)
Profit before tax	63,716	124,211	—	187,927
Income tax expense				(42,796)
Profit for the year				145,131
Depreciation and amortization included in operating expenses	(6,785)	(8,711)	—	(15,496)
Capital expenditure	7,884	22,568	—	30,452
As at 31 December 2012				
Segment assets	4,979,344	8,285,179	(77,130)	13,187,393
Including: Investments in associates and joint ventures	—	108	—	108
Unallocated assets				56,949
Total assets				13,244,342
Segment liabilities	(4,732,805)	(7,796,879)	77,130	(12,452,554)
Unallocated liabilities				(40,434)
Total liabilities				(12,492,988)
Credit commitments	480,218	1,009,173	—	1,489,391

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS

(1) *The Group and the MOF*

As at 31 December 2013, the MOF directly owned 39.21% (31 December 2012: 39.21%) of the share capital of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2013	**2012**
Treasury bonds and special government bonds	729,892	661,550
Receivable from the MOF (Note IV 22)	362,054	392,883
Interest receivable		
— treasury bonds and special government bonds	9,017	7,122
— receivable from the MOF	33	223
Amount payable to the MOF (Note IV 35)	1,539	1,610
Customer deposits	11,292	10,835
Interest payable	10	5
Other liability		
— redemption of certificate treasury bonds on behalf of the MOF	112	788

	Year ended 31 December	
	2013	**2012**
Interest income	38,152	35,561
Interest expense	(85)	(109)
Fee and commission income	8,297	7,740

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2013 %	**2012** %
Treasury bonds and receivable from the MOF	1.77–9.00	1.77–6.34
Customer deposits	0.01–3.25	0.01–1.21

The Group's redemption commitment for government bonds underwriting is disclosed in Note IV 45 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

As at 31 December 2013, Huijin directly owned 40.28% (31 December 2012: 40.21%) of the share capital of the Bank.

Transactions with Huijin

The Group had the following balances and transactions with Huijin in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2013	**2012**
Investment in debt securities	11,130	11,241
Interest receivable	134	134
Customer deposits	10,960	2,824
Interest payable	158	—
Non-principal guaranteed wealth management products issued by the Bank	—	4,162

	Year ended 31 December	
	2013	**2012**
Interest income	429	430
Interest expense	(352)	(63)

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2013	**2012**
	%	**%**
Debt securities	3.14–4.20	3.14–4.20
Customer deposits	0.39–3.30	0.35–3.08

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Chinese government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	As at 31 December	
	2013	**2012**
Investment in debt securities	686,833	554,401
Deposits with banks and other financial institutions	21,059	57,386
Placements with banks and other financial institutions	31,926	16,866
Derivative financial assets	623	344
Financial assets held under resale agreements	88,706	15,929
Loans and advances to customers	385	540
Deposits from banks and other financial institutions	45,561	57,304
Placements from banks and other financial institutions	26,362	3,638
Derivative financial liabilities	457	312
Financial assets sold under repurchase agreements	11,859	4,000
Customer deposits	200	—

(3) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that transactions with these entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (Continued)

(4) The Bank and its subsidiaries

The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business.

Management considers that transactions between the Bank and its subsidiaries are not significant.

(5) The Group and its associates and joint ventures

The Group entered into banking transactions with its associates and joint ventures at arm's length in the ordinary course of business.

Management considers that transactions between the Group and its associates and joint ventures are not significant.

(6) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. During the year ended 31 December 2013 and 2012, the Group had no material transactions with key management personnel.

The remuneration of directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2013	**2012**
Salaries, bonuses and staff welfare	10.97	17.61

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the current year have not been finalised. Management of the Group believes that difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group as at 31 December 2013. The final compensation will be disclosed in a separate announcement when determined.

The compensation for the year ended 31 December 2012 was not decided at the time when the Group's 2012 consolidated financial statement was released. Supplementary announcement on final compensation of RMB17.61 million was released by the Bank on 28 August 2013. The amount of remuneration of directors and other members of key management recognised in the consolidated income statement for the year of 2012 was RMB10.75 million.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (Continued)

(7) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	As at 31 December	
	2013	**2012**
Deposits from Annuity Scheme	8,050	16,207
Interest payable	15	30
Non-principal guaranteed wealth management products issued by the Bank	500	7,691

	Year ended 31 December	
	2013	**2012**
Interest expense	490	718
Net loss on financial instruments designated at fair value through profit or loss	—	68

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	Year ended 31 December	
	2013	**2012**
	%	**%**
Deposits from Annuity Scheme	5.75–6.20	0.35–6.20

44 Structured Entities

(1) Unconsolidated structured entities managed by the Group

The unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP Vehicles") formed to issue and distribute wealth management products ("WMPs"), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the WMPs is not significant, therefore, the WMP Vehicles are not consolidated by the Group.

As at 31 December 2013, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB412,190 million, which represent the total size of the WMP vehicles. In 2013, the Group's interest in the WMP Vehicles included Net Fee and Commission Income of RMB4,752 million and Net Interest Income of RMB478 million, which related to placements and reverse repurchase agreement transactions by the Group with WMP Vehicles.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Structured Entities (Continued)

(1) *Unconsolidated structured entities managed by the Group* (Continued)

The Group has entered into placement and reverse repurchase agreement transactions at market interest rates with the WMP Vehicles. The outstanding amount of these transactions represents the Group's maximum exposure to the WMP Vehicles. The average balance during 2013 and the outstanding balance as at 31 December 2013 of these transactions were RMB30,453 million (weighted average outstanding period of 2.9 days) and RMB80,282 million, respectively. The Group was under no obligation to enter into these transactions. As at 31 December 2013, the outstanding balance of these transactions was presented in Placement with Banks and Other Financial Institutions.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above during the year ended 31 December 2013. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2013, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 Structured Entities (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These assets include those that are investments into which WMPs managed by the Group have invested, and for which the Group has provided investors of the wealth management products with a principal and/or return guarantee. As at 31 December 2013, the Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

Group

	As at 31 December 2013				
	Financial assets designated at fair value through profits or losses	Available-for-sale Investments	Held-to-maturity investment	Debt instruments classified as receivables	Total
Interest in trust products	171,280	—	—	—	171,280
Other debt instruments	38,710	—	—	—	38,710
WMPs issued by other entities	—	560	—	5,908	6,468
Asset-backed securities	—	1,918	—	—	1,918
Fund investments	—	988	—	—	988
Mortgage-backed securities	—	87	45	—	132
Total	**209,990**	**3,553**	**45**	**5,908**	**219,496**

The information of total size of the Unconsolidated Structured Entities listed above is not readily available from the public.

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has guaranteed the investor's principal investment and/or return upon maturity of the WMP, regardless of its actual performance. During 2013, the Group did not enter into financing transactions with any of these WMP Vehicles.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 31 December 2013, provisions of RMB962 million were made by the Group and the Bank (Group and Bank as at 31 December 2012: RMB1,130 million) based on court judgments or advice of legal counsel, and included in Note IV 35 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December			
	Group		Bank	
	2013	2012	2013	2012
Contracted but not provided for	6,404	7,957	6,404	7,956
Authorized but not contracted for	1,261	1,148	1,261	1,148
Total	**7,665**	**9,105**	**7,665**	**9,104**

Credit commitments

	As at 31 December			
	Group		Bank	
	2013	2012	2013	2012
Loan commitments				
— With an original maturity of less than 1 year	35,858	48,173	35,858	48,152
— With an original maturity of 1 year or above	434,411	515,768	434,411	515,676
Subtotal	470,269	563,941	470,269	563,828
Bank acceptances	404,852	397,311	404,852	397,311
Credit card commitments	219,682	199,555	219,682	199,555
Guarantee and letters of guarantee	191,073	181,872	191,073	181,872
Letters of credit	196,069	146,712	196,069	146,712
Total	**1,481,945**	**1,489,391**	**1,481,945**	**1,489,278**

Credit commitments represent credit cards and general credit facility limits granted to customers under non-cancellable agreements. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantee and letters of guarantee or bank acceptances.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments

	As at 31 December 2013	
	Group	**Bank**
Credit commitments	728,028	727,438

As at 31 December 2013, the credit risk weighted amount for credit commitments was calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and are dependent on, among other factors, the creditworthiness of counterparty and tenor of the commitment.

As at 31 December 2012, the Group's and the Bank's credit risk weighted amounts for credit commitments were RMB710,782 million and RMB710,736 million respectively, as calculated in accordance with the formerly used methodology required by "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", which was also issued by the CBRC and, superseded by the Regulation from 1 January 2013.

Operating lease commitments

At the end of each reporting period, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			
	Group		**Bank**	
	2013	**2012**	**2013**	**2012**
Within 1 year	3,575	3,107	3,536	3,019
1 to 2 years	3,039	2,700	3,016	2,638
2 to 3 years	2,550	2,295	2,537	2,254
3 to 5 years	2,527	2,834	2,527	2,776
Above 5 years	3,204	3,235	3,204	3,168
Total	**14,895**	**14,171**	**14,820**	**13,855**

In the current year, operating lease expense recognized as operating expense by the Group and the Bank were RMB4,169 million and RMB4,106 million, respectively, and is included in Note IV 6 Operating Expenses (2012: RMB3,395 million and RMB3,364 million, respectively).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Finance lease commitments

At the end of each reporting period, the Group, as a lessor, had the following non-cancellable finance lease commitments:

	As at 31 December			
	Group		Bank	
	2013	2012	2013	2012
Contractual amount	61	756	—	—

As at 31 December 2013, included in the Group's loans and advances are finance lease receivables of RMB32,211 million (31 December 2012: RMB22,924 million), among which, majority of the remaining maturity was within 1 to 5 years.

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December			
	Group		Bank	
	2013	2012	2013	2012
Debt securities	27,011	7,416	25,248	7,416
Bills	38	214	38	214
Loans	600	—	—	—
Total	**27,649**	**7,630**	**25,286**	**7,630**

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2013 was RMB26,787 million and the Bank was RMB24,670 million (Group and Bank as at 31 December 2012: RMB7,631 million) as set out in Note IV 32 Financial Assets Sold Under Repurchase Agreements. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

In addition, bonds and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions by the Group and the Bank as at 31 December 2013 amounted to RMB5,637 million in total (Group and Bank as at 31 December 2012: RMB6,210 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral (Continued)

Collateral accepted

The Group received debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or re-pledged. The Group and the Bank has accepted collateral that can be resold or re-pledged with a carrying amount of RMB1,744 million as at 31 December 2013 (Group and Bank as at 31 December 2012: RMB4,720 million). The Group and the Bank has not resold or re-pledged any collateral accepted as at 31 December 2013 (Group and Bank as at 31 December 2012: RMB81 million).

Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the par value of the treasury bond plus unpaid interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2013, the nominal value of treasury bonds the Group and the Bank was obligated to redeem prior to maturity was RMB37,913 million (Group and Bank as at 31 December 2012: RMB41,314 million). The original maturities of these bonds vary from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

46 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters to meet the requirements of regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and intended to address the Group's information needs in this area. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving its risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for managing the significant risks to which the Group is exposed.

46.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment. The Group's major credit risks arise from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

Apart from the credit risk exposures on credit-related assets, deposits and placements with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Impairment assessment

Key factors related to the Group's impairment assessment

In accordance with the "Guideline for Loan Credit Risk Classification" issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and loss are regarded as non-performing loans. The primary factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, projected profitability, bank guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal	Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special — mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

With respect to investments in debt securities other than held for trading or designated at fair value through profit or loss, the Group assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate. The amount of the impairment allowance for available-for-sale investments is equal to the existing unrealized loss, which is recorded as a charge in the consolidated income statement.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period primarily arises from credit and treasury operations; as well as off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, guarantee and letters of guarantee and letters of credit, as credit risks arising from these items are similar to those associated with loans and receivables.

A summary of the maximum exposure to credit risk is as follows:

	As at 31 December			
	Group		Bank	
	2013	2012	2013	2012
Balances with central banks	2,504,043	2,520,015	2,503,888	2,519,887
Deposits with banks and other financial institutions	397,678	262,233	389,938	255,005
Placements with banks and other financial institutions	308,655	223,380	310,967	225,140
Financial assets held for trading	53,814	27,889	53,495	27,889
Financial assets designated at fair value through profit or loss	267,997	154,582	267,994	154,582
Derivative financial assets	8,186	4,825	8,176	4,825
Financial assets held under resale agreements	737,052	814,620	736,742	814,608
Loans and advances to customers	6,902,522	6,153,411	6,866,183	6,127,483
Available-for-sale financial assets	778,944	752,158	776,211	749,690
Held-to-maturity investments	1,523,815	1,308,796	1,517,998	1,304,949
Debt instruments classified as receivables	592,090	608,594	585,459	606,725
Other financial assets	103,024	72,624	91,817	64,234
Subtotal	14,177,820	12,903,127	14,108,868	12,855,017
Credit commitments	1,481,945	1,489,391	1,481,945	1,489,278
Total	**15,659,765**	**14,392,518**	**15,590,813**	**14,344,295**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by bonds, bills, loans and advance, and other securities.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers

The following tables set out the concentration of risk for loans and advances to customers by geographical area and industry.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

Group

	As at 31 December			
	2013		2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	115,027	2.2	105,962	2.3
Yangtze River Delta	1,225,018	23.9	1,183,265	25.0
Pearl River Delta	622,736	12.1	590,500	12.5
Bohai Rim	958,418	18.7	901,959	19.1
Central China	605,634	11.8	555,394	11.8
Western China	1,101,790	21.5	1,017,652	21.5
Northeastern China	193,057	3.8	180,858	3.8
Overseas and Others	307,401	6.0	189,847	4.0
Subtotal	5,129,081	100.0	4,725,437	100.0
Personal loans and advances				
Head Office	110	—	122	—
Yangtze River Delta	555,257	26.5	480,535	28.0
Pearl River Delta	390,258	18.6	320,387	18.8
Bohai Rim	292,778	14.0	229,884	13.5
Central China	288,221	13.8	228,436	13.4
Western China	482,475	23.0	385,225	22.6
Northeastern China	84,206	4.0	62,734	3.7
Overseas and Others	2,327	0.1	639	—
Subtotal	2,095,632	100.0	1,707,962	100.0
Gross loans and advances to customers	**7,224,713**		**6,433,399**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(1) The composition of loans and advances to customers by geographical area is analyzed as follows (Continued):

Bank

	As at 31 December			
	2013		2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	115,027	2.3	105,962	2.3
Yangtze River Delta	1,225,018	24.1	1,183,265	25.2
Pearl River Delta	622,736	12.2	590,500	12.6
Bohai Rim	958,418	18.8	901,959	19.2
Central China	605,634	11.9	555,394	11.8
Western China	1,101,790	21.6	1,017,652	21.6
Northeastern China	193,057	3.8	180,858	3.8
Overseas and Others	270,779	5.3	164,012	3.5
Subtotal	5,092,459	100.0	4,699,602	100.0
Personal loans and advances				
Head Office	110	—	122	—
Yangtze River Delta	555,257	26.5	480,535	28.0
Pearl River Delta	390,258	18.6	320,387	18.8
Bohai Rim	292,778	14.0	229,884	13.5
Central China	288,221	13.8	228,436	13.4
Western China	482,475	23.0	385,225	22.6
Northeastern China	84,206	4.0	62,734	3.7
Overseas and Others	1,643	0.1	139	—
Subtotal	2,094,948	100.0	1,707,462	100.0
Gross loans and advances to customers	**7,187,407**		**6,407,064**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

Group

	As at 31 December			
	2013		2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,429,765	27.9	1,405,790	29.7
Transportation, logistics and postal services	618,900	12.1	522,934	11.1
Retail and wholesale	593,434	11.6	516,768	10.9
Real estate	549,592	10.7	475,016	10.1
Production and supply of power, heat, gas and water	492,082	9.6	480,225	10.2
Leasing and commercial services	330,123	6.4	291,282	6.2
Mining	223,518	4.4	194,097	4.1
Water, environment and public utilities management	205,931	4.0	200,482	4.2
Construction	204,281	4.0	205,781	4.4
Telecommunications, IT services and software	28,156	0.5	20,849	0.4
Others	453,299	8.8	412,213	8.7
Subtotal	5,129,081	100.0	4,725,437	100.0
Personal loans and advances				
Residential mortgage	1,292,038	61.6	1,051,035	61.5
Personal business	256,245	12.2	200,715	11.8
Personal consumer	204,448	9.8	170,506	10.0
Credit cards	194,330	9.3	149,138	8.7
Others	148,571	7.1	136,568	8.0
Subtotal	2,095,632	100.0	1,707,962	100.0
Gross loans and advances to customers	**7,224,713**		**6,433,399**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows (Continued):

Bank

	As at 31 December			
	2013		2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,412,397	27.7	1,382,254	29.4
Transportation, logistics and postal services	616,503	12.1	522,934	11.1
Retail and wholesale	591,085	11.6	516,139	11.0
Real estate	548,872	10.8	475,016	10.1
Production and supply of power, heat, gas and water	488,276	9.6	480,160	10.2
Leasing and commercial services	329,367	6.5	291,269	6.2
Mining	221,470	4.3	194,097	4.1
Water, environment and public utilities management	205,046	4.0	200,473	4.3
Construction	201,259	4.0	205,776	4.4
Telecommunications, IT services and software	28,156	0.6	20,849	0.4
Others	450,028	8.8	410,635	8.8
Subtotal	5,092,459	100.0	4,699,602	100.0
Personal loans and advances				
Residential mortgage	1,292,033	61.6	1,051,027	61.6
Personal business	255,808	12.2	200,397	11.7
Personal consumer	204,425	9.8	170,365	10.0
Credit cards	194,330	9.3	149,138	8.7
Others	148,352	7.1	136,535	8.0
Subtotal	2,094,948	100.0	1,707,462	100.0
Gross loans and advances to customers	**7,187,407**		**6,407,064**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

Group

	31 December 2013			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	763,479	301,703	556,910	1,622,092
Guaranteed loans	769,611	231,430	295,572	1,296,613
Loans secured by collateral	1,131,696	661,376	1,719,816	3,512,888
Pledged loans	366,943	41,668	384,509	793,120
Total	**3,031,729**	**1,236,177**	**2,956,807**	**7,224,713**

	31 December 2012			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	622,696	290,615	479,296	1,392,607
Guaranteed loans	758,074	251,402	282,276	1,291,752
Loans secured by collateral	1,034,543	590,671	1,373,445	2,998,659
Pledged loans	363,059	48,239	339,083	750,381
Total	**2,778,372**	**1,180,927**	**2,474,100**	**6,433,399**

Bank

	31 December 2013			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	761,773	301,104	556,890	1,619,767
Guaranteed loans	768,979	230,030	295,550	1,294,559
Loans secured by collateral	1,131,364	629,023	1,719,798	3,480,185
Pledged loans	366,742	41,646	384,508	792,896
Total	**3,028,858**	**1,201,803**	**2,956,746**	**7,187,407**

	31 December 2012			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	622,333	290,292	479,296	1,391,921
Guaranteed loans	756,160	251,401	282,276	1,289,837
Loans secured by collateral	1,028,310	574,359	1,372,421	2,975,090
Pledged loans	362,895	48,238	339,083	750,216
Total	**2,769,698**	**1,164,290**	**2,473,076**	**6,407,064**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Past due loans

Group

	31 December 2013				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,211	4,379	1,282	442	11,314
Guaranteed loans	8,075	6,078	7,005	6,913	28,071
Loans secured by collateral	20,067	10,324	14,201	10,174	54,766
Pledged loans	1,540	1,129	1,326	2,278	6,273
Total	**34,893**	**21,910**	**23,814**	**19,807**	**100,424**

	31 December 2012				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,564	1,635	1,208	559	8,966
Guaranteed loans	6,595	5,881	5,134	7,653	25,263
Loans secured by collateral	18,374	11,092	6,926	13,319	49,711
Pledged loans	160	684	687	2,434	3,965
Total	**30,693**	**19,292**	**13,955**	**23,965**	**87,905**

Bank

	31 December 2013				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,211	4,379	1,282	442	11,314
Guaranteed loans	7,442	6,005	7,005	6,913	27,365
Loans secured by collateral	20,067	10,324	14,201	10,174	54,766
Pledged loans	1,540	1,129	1,326	2,278	6,273
Total	**34,260**	**21,837**	**23,814**	**19,807**	**99,718**

	31 December 2012				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,564	1,635	1,208	559	8,966
Guaranteed loans	6,595	5,881	5,134	7,653	25,263
Loans secured by collateral	18,374	11,092	6,926	13,319	49,711
Pledged loans	152	672	672	2,433	3,929
Total	**30,685**	**19,280**	**13,940**	**23,964**	**87,869**

When either loan principal or interest is past due by one day in any period, the whole loan is classified as past due loan.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers

Group

		As at 31 December	
		2013	**2012**
Neither past due nor impaired	(i)	7,112,117	6,322,649
Past due but not impaired	(ii)	24,815	24,902
Impaired	(iii)	87,781	85,848
Subtotal		7,224,713	6,433,399
Allowance for impairment losses of loans and advances to customers		(322,191)	(279,988)
Loans and advances to customers		**6,902,522**	**6,153,411**

Bank

		As at 31 December	
		2013	**2012**
Neither past due nor impaired	(i)	7,075,519	6,296,350
Past due but not impaired	(ii)	24,815	24,866
Impaired	(iii)	87,073	85,848
Subtotal		7,187,407	6,407,064
Allowance for impairment losses of loans and advances to customers		(321,224)	(279,581)
Loans and advances to customers		**6,866,183**	**6,127,483**

(i) Loans and advances neither past due nor impaired

Group

	31 December 2013		
	Normal	**Special-mention**	**Total**
Corporate loans and advances	4,800,374	252,101	5,052,475
Personal loans and advances	2,057,357	2,285	2,059,642
Total	**6,857,731**	**254,386**	**7,112,117**

	31 December 2012		
	Normal	**Special-mention**	**Total**
Corporate loans and advances	4,384,031	268,360	4,652,391
Personal loans and advances	1,667,073	3,185	1,670,258
Total	**6,051,104**	**271,545**	**6,322,649**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers (Continued)

(i) Loans and advances neither past due nor impaired (Continued)

Bank

	31 December 2013		
	Normal	Special-mention	Total
Corporate loans and advances	4,766,252	250,325	5,016,577
Personal loans and advances	2,056,659	2,283	2,058,942
Total	**6,822,911**	**252,608**	**7,075,519**

	31 December 2012		
	Normal	Special-mention	Total
Corporate loans and advances	4,358,198	268,358	4,626,556
Personal loans and advances	1,666,609	3,185	1,669,794
Total	**6,024,807**	**271,543**	**6,296,350**

(ii) Loans and advances past due but not impaired

Group and bank

	31 December 2013				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	4,017	187	30	4,234	4,303
Personal loans and advances	14,070	4,033	2,478	20,581	24,986
Total	**18,087**	**4,220**	**2,508**	**24,815**	**29,289**

Group

	31 December 2012				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	158	1	—	159	94
Personal loans and advances	18,389	4,211	2,143	24,743	28,897
Total	**18,547**	**4,212**	**2,143**	**24,902**	**28,991**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers (Continued)

(ii) Loans and advances past due but not impaired (Continued)

Bank

	31 December 2012				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	158	1	—	159	94
Personal loans and advances	18,353	4,211	2,143	24,707	28,846
Total	**18,511**	**4,212**	**2,143**	**24,866**	**28,940**

(iii) Impaired loans and advances

Group

	31 December 2013		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	72,355	(50,127)	22,228
Collectively assessed	15,426	(10,440)	4,986
Total	**87,781**	**(60,567)**	**27,214**

Bank

	31 December 2013		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	71,648	(50,050)	21,598
Collectively assessed	15,425	(10,440)	4,985
Total	**87,073**	**(60,490)**	**26,583**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers (Continued)

(iii) Impaired loans and advances (Continued)

Group and Bank

	31 December 2012		
	Book value	**Allowance for impairment losses**	**Net book value**
Individually assessed	72,886	(52,242)	20,644
Collectively assessed	12,962	(8,462)	4,500
Total	**85,848**	**(60,704)**	**25,144**

Including:

Group

	As at 31 December	
	2013	**2012**
Individually assessed and impaired	72,355	72,886
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.00%	1.13%
Fair value of collateral	9,237	6,350

Bank

	As at 31 December	
	2013	**2012**
Individually assessed and impaired	71,648	72,886
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.00%	1.13%
Fair value of collateral	9,237	6,350

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers (Continued)

(iii) Impaired loans and advances (Continued)

The composition of impaired loans and advances to customers by geographical area is analyzed as follows:

Group

	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Head Office	3	—	2	—
Yangtze River Delta	19,373	22.1	19,734	23.0
Pearl River Delta	12,407	14.1	11,645	13.6
Bohai Rim	16,603	19.0	14,397	16.8
Central China	14,075	16.0	11,865	13.8
Western China	19,523	22.2	23,431	27.3
Northeastern China	4,927	5.6	4,564	5.3
Overseas and Others	870	1.0	210	0.2
Total	**87,781**	**100.0**	**85,848**	**100.0**

Bank

	31 December 2013		31 December 2012	
	Amount	% of total	Amount	% of total
Head Office	3	—	2	—
Yangtze River Delta	19,373	22.2	19,734	23.0
Pearl River Delta	12,407	14.2	11,645	13.6
Bohai Rim	16,603	19.1	14,397	16.8
Central China	14,075	16.2	11,865	13.8
Western China	19,523	22.4	23,431	27.3
Northeastern China	4,927	5.7	4,564	5.3
Overseas and Others	162	0.2	210	0.2
Total	**87,073**	**100.0**	**85,848**	**100.0**

(6) Rescheduled loans and advances

Rescheduled loans and advances arise from renegotiating terms of contract, and such loans and advances require continuous monitoring. Rescheduled loans and advances as at 31 December 2013 amounted to RMB10,376 million (31 December 2012: RMB11,592 million).

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note IV 27.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

The table below represents the carrying value and accumulated impairment charges of held-to-maturity investments and debt instruments classified as receivables:

Group

	As at 31 December	
	2013	**2012**
Neither past due nor impaired	2,116,801	1,917,765
Impaired	45	53
Subtotal	2,116,846	1,917,818
Individually assessed	(44)	(51)
Collectively assessed	(897)	(377)
Allowance for impairment losses	(941)	(428)
Total held-to-maturity investments and debt instruments classified as receivables, net	**2,115,905**	**1,917,390**

Bank

	As at 31 December	
	2013	**2012**
Neither past due nor impaired	2,104,353	1,912,049
Impaired	45	53
Subtotal	2,104,398	1,912,102
Individually assessed	(44)	(51)
Collectively assessed	(897)	(377)
Allowance for impairment losses	(941)	(428)
Total held-to-maturity investments and debt instruments classified as receivables, net	**2,103,457**	**1,911,674**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired

Group

	31 December 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	13,700	149,808	519,265	—	682,773
Public sector and quasi-government bonds	50,056	409,322	808,838	66,485	1,334,701
Financial institution bonds	11,495	48,702	29,688	27,124	117,009
Corporate bonds	24,768	167,724	166,623	30,973	390,088
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	362,054	362,054
Certificate treasury bonds and savings treasury bonds	—	—	—	6,037	6,037
Interests in trust products	171,280	—	—	—	171,280
Other debt instruments	38,710	—	—	6,414	45,124
Total	**310,009**	**775,556**	**1,524,414**	**592,387**	**3,202,366**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired (Continued)

Group (Continued)

	31 December 2012				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Debt instruments classified as receivables**	**Total**
Government bonds	4,165	194,742	552,192	—	751,099
Public sector and quasi-government bonds	13,181	335,265	656,045	66,316	1,070,807
Financial institution bonds	9,146	35,333	21,340	23,420	89,239
Corporate bonds	26,243	182,996	79,439	20,918	309,596
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	392,883	392,883
Certificate treasury bonds and savings treasury bonds	—	—	—	10,707	10,707
Interests in trust products	76,265	—	—	—	76,265
Other debt instruments	48,771	—	—	1,205	49,976
Total	**177,771**	**748,336**	**1,309,016**	**608,749**	**2,843,872**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired (Continued)

Bank

	31 December 2013				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Debt instruments classified as receivables**	**Total**
Government bonds	13,700	149,584	519,265	—	682,549
Public sector and quasi-government bonds	50,056	409,322	808,838	66,485	1,334,701
Financial institution bonds	11,495	47,423	27,012	27,124	113,054
Corporate bonds	24,449	166,494	163,482	30,973	385,398
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	362,054	362,054
Certificate treasury bonds and savings treasury bonds	—	—	—	5,820	5,820
Interests in trust products	171,277	—	—	—	171,277
Other debt instruments	38,710	—	—	—	38,710
Total	**309,687**	**772,823**	**1,518,597**	**585,756**	**3,186,863**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired (Continued)

Bank (Continued)

	31 December 2012				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	4,165	194,566	552,192	—	750,923
Public sector and quasi-government bonds	13,181	334,855	655,884	66,316	1,070,236
Financial institution bonds	9,146	34,663	19,404	23,414	86,627
Corporate bonds	26,243	181,784	77,689	20,512	306,228
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	392,883	392,883
Certificate treasury bonds and savings treasury bonds	—	—	—	10,455	10,455
Interests in trust products	76,265	—	—	—	76,265
Other debt instruments	48,771	—	—	—	48,771
Total	**177,771**	**745,868**	**1,305,169**	**606,880**	**2,835,688**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments

Group and Bank

	31 December 2013		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	45	45
Allowance for impairment losses	—	(44)	(44)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	—	1	1

	31 December 2012		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	53	53
Allowance for impairment losses	—	(51)	(51)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	—	2	2

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 31 December 2013, the carrying amount of the impaired available-for-sale debt instruments of the Group and the Bank was RMB3,388 million (Group and Bank as at 31 December 2012: RMB3,822 million), among which the total impairment losses recognized for these impaired available-for-sale debt instruments by the Group and the Bank as at 31 December 2013 was RMB331 million (Group and Bank as at 31 December 2012: RMB467 million).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by rating as at the end of the reporting period are as follows:

Group

	31 December 2013					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	680,349	637	1,707	80	—	682,773
Public sector and quasi-government bonds	1,251,211	79,857	3,057	443	—	1,334,568
Financial institution bonds	24,284	49,902	31,531	9,340	5,074	120,131
Corporate bonds (ii)	23,452	230,604	118,313	11,935	5,287	389,591
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	362,054	—	—	—	—	362,054
Certificate treasury bonds and savings treasury bonds	6,037	—	—	—	—	6,037
Interests in trust products (iii)	171,280	—	—	—	—	171,280
Other debt instruments (iii)	45,124	—	—	—	—	45,124
Total	**2,657,091**	**361,000**	**154,608**	**21,798**	**10,361**	**3,204,858**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating (Continued)

Group (Continued)

	31 December 2012					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	745,353	4,834	912	—	—	751,099
Public sector and quasi-government bonds	1,009,567	54,367	6,906	—	—	1,070,840
Financial institution bonds	30,205	31,199	11,782	16,524	3,030	92,740
Corporate bonds (ii)	30,893	248,930	21,732	2,370	5,584	309,509
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	392,883	—	—	—	—	392,883
Certificate treasury bonds and savings treasury bonds	10,707	—	—	—	—	10,707
Interests in trust products (iii)	76,265	—	—	—	—	76,265
Other debt instruments (iii)	49,976	—	—	—	—	49,976
Total	**2,439,149**	**339,330**	**41,332**	**18,894**	**8,614**	**2,847,319**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating (Continued)

Bank

	31 December 2013					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	680,349	413	1,707	80	—	682,549
Public sector and quasi-government bonds	1,251,211	79,857	3,057	443	—	1,334,568
Financial institution bonds	22,813	49,105	29,908	9,321	5,029	116,176
Corporate bonds (ii)	23,079	227,386	117,227	11,922	5,287	384,901
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	362,054	—	—	—	—	362,054
Certificate treasury bonds and savings treasury bonds	5,820	—	—	—	—	5,820
Interests in trust products (iii)	171,277	—	—	—	—	171,277
Other debt instruments (iii)	38,710	—	—	—	—	38,710
Total	**2,648,613**	**356,761**	**151,899**	**21,766**	**10,316**	**3,189,355**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating (Continued)

Bank (Continued)

	31 December 2012					
	Unrated (i)	AAA	AA	A	Below A	Total
Government bonds	745,353	4,658	912	—	—	750,923
Public sector and quasi-government bonds	1,008,996	54,367	6,906	—	—	1,070,269
Financial institution bonds	30,205	30,486	9,884	16,524	3,030	90,129
Corporate bonds (ii)	30,473	247,387	20,355	2,341	5,584	306,140
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	392,883	—	—	—	—	392,883
Certificate treasury bonds and savings treasury bonds	10,455	—	—	—	—	10,455
Interests in trust products (iii)	76,265	—	—	—	—	76,265
Other debt instruments (iii)	48,771	—	—	—	—	48,771
Total	**2,436,701**	**336,898**	**38,057**	**18,865**	**8,614**	**2,839,135**

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks and the Chinese government.

(ii) The ratings of super short-term commercial papers included in corporate bonds above are based on issuer rating for this credit risk analysis.

(iii) The trust products and other debt instruments are classified within Level 3 and the related credit risk is described in Note IV 48 Fair Value of Financial Instruments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate current asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period.

Group

	31 December 2013								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	200,278	1,178	—	—	—	—	2,402,346	2,603,802
Deposits with banks and other financial institutions	—	48,464	49,142	55,092	145,639	99,341	—	—	397,678
Placements with banks and other financial institutions	—	—	162,547	19,083	87,668	39,357	—	—	308,655
Financial assets held for trading	—	2	4,554	3,805	24,003	17,702	3,750	48	53,864
Financial assets designated at fair value through profit or loss	—	—	56,835	61,947	93,573	55,611	31	1,021	269,018
Derivative financial assets	—	—	780	949	2,105	3,897	455	—	8,186
Financial assets held under resale agreements	—	—	439,889	119,212	177,951	—	—	—	737,052
Loans and advances to customers	17,843	—	408,485	710,851	2,165,795	1,474,567	2,124,981	—	6,902,522
Available-for-sale financial assets	—	—	16,579	29,761	114,846	437,173	180,585	2,367	781,311
Held-to-maturity investments	—	—	6,179	31,417	203,297	719,537	563,385	—	1,523,815
Debt instruments classified as receivables	1	113	10,635	1,775	44,367	55,104	480,095	—	592,090
Other financial assets	785	15,666	22,433	30,725	33,155	203	57	—	103,024
Total financial assets	18,629	264,523	1,179,236	1,064,617	3,092,399	2,902,492	3,353,339	2,405,782	14,281,017
Borrowings from central bank	—	(30)	—	—	(74)	—	—	—	(104)
Deposits from banks and other financial institutions	—	(252,802)	(32,408)	(13,820)	(43,910)	(386,414)	—	—	(729,354)
Placements from banks and other financial institutions	—	—	(69,464)	(65,740)	(37,427)	(1,732)	—	—	(174,363)
Financial liabilities held for trading	—	(9,598)	(4,209)	(2,525)	(4,473)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	—	—	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	(912)	(1,713)	(2,291)	(2,064)	(655)	—	(7,635)
Financial assets sold under repurchase agreements	—	—	(22,225)	(1,714)	(2,489)	(359)	—	—	(26,787)
Due to customers	—	(6,993,059)	(566,840)	(1,009,991)	(2,159,729)	(1,081,790)	(2)	—	(11,811,411)
Debt securities issued	—	—	(3,261)	(26,195)	(94,704)	(16,961)	(125,140)	—	(266,261)
Other financial liabilities	—	(98,269)	(14,171)	(42,008)	(57,676)	(58,631)	(16,894)	—	(287,649)
Total financial liabilities	—	(7,353,758)	(824,186)	(1,258,590)	(2,461,075)	(1,569,489)	(142,725)	—	(13,609,823)
Net position	**18,629**	**(7,089,235)**	**355,050**	**(193,973)**	**631,324**	**1,333,003**	**3,210,614**	**2,405,782**	**671,194**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Group (Continued)

	31 December 2012								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	251,428	—	—	—	142,500	—	2,219,183	2,613,111
Deposits with banks and other financial institutions	—	75,112	19,780	69,357	93,045	4,439	500	—	262,233
Placements with banks and other financial institutions	—	—	99,096	39,461	76,023	8,800	—	—	223,380
Financial assets held for trading	—	—	829	1,303	21,338	3,751	668	—	27,889
Financial assets designated at fair value through profit or loss	—	—	10,107	27,955	75,813	40,673	34	784	155,366
Derivative financial assets	—	—	888	698	1,638	1,094	507	—	4,825
Financial assets held under resale agreements	—	—	466,032	161,914	186,674	—	—	—	814,620
Loans and advances to customers	14,764	—	390,879	583,663	2,077,560	1,266,564	1,819,981	—	6,153,411
Available-for-sale financial assets	3	—	20,292	29,756	196,179	336,182	169,746	3,345	755,503
Held-to-maturity investments	—	—	5,515	20,796	163,072	673,451	445,962	—	1,308,796
Debt instruments classified as receivables	407	—	8	2,320	5,548	92,422	507,889	—	608,594
Other financial assets	2,577	6,948	13,156	19,939	27,046	703	1,546	709	72,624
Total financial assets	17,751	333,488	1,026,582	957,162	2,923,936	2,570,579	2,946,833	2,224,021	13,000,352
Borrowings from central bank	—	(30)	—	—	(36)	—	—	—	(66)
Deposits from banks and other financial institutions	—	(276,288)	(46,395)	(23,648)	(70,227)	(367,744)	(50)	—	(784,352)
Placements from banks and other financial institutions	—	—	(36,291)	(52,383)	(60,868)	(95)	(84)	—	(149,721)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,066)	(41,329)	(42,071)	(9,570)	(35)	—	(155,071)
Derivative financial liabilities	—	—	(574)	(744)	(1,260)	(1,916)	(1,020)	—	(5,514)
Financial assets sold under repurchase agreements	—	—	(5,467)	(2,020)	(144)	—	—	—	(7,631)
Due to customers	—	(6,564,313)	(434,470)	(843,281)	(1,966,871)	(1,053,998)	(2)	—	(10,862,935)
Debt securities issued	—	—	(469)	(13,849)	(14,039)	(39,147)	(125,135)	—	(192,639)
Other financial liabilities	—	(86,282)	(21,520)	(27,268)	(50,966)	(45,062)	(32)	—	(231,130)
Total financial liabilities	—	(6,930,587)	(607,252)	(1,004,522)	(2,206,482)	(1,517,532)	(126,358)	—	(12,392,733)
Net position	**17,751**	**(6,597,099)**	**419,330**	**(47,360)**	**717,454**	**1,053,047**	**2,820,475**	**2,224,021**	**607,619**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Bank

	31 December 2013								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	200,245	1,178	—	—	—	—	2,402,202	2,603,625
Deposits with banks and other financial institutions	—	47,016	48,318	55,092	145,611	93,901	—	—	389,938
Placements with banks and other financial institutions	—	—	165,906	19,087	87,516	38,458	—	—	310,967
Financial assets held for trading	—	2	4,553	3,805	24,003	17,384	3,750	—	53,497
Financial assets designated at fair value through profit or loss	—	—	56,834	61,947	93,573	55,609	31	—	267,994
Derivative financial assets	—	—	770	949	2,105	3,897	455	—	8,176
Financial assets held under resale agreements	—	—	439,579	119,212	177,951	—	—	—	736,742
Loans and advances to customers	17,782	—	407,765	708,516	2,156,961	1,451,535	2,123,624	—	6,866,183
Available-for-sale financial assets	—	—	16,479	29,509	114,375	435,732	180,116	504	776,715
Held-to-maturity investments	—	—	6,179	31,417	203,297	717,817	559,288	—	1,517,998
Debt instruments classified as receivables	1	113	10,135	1,775	38,370	54,970	480,095	—	585,459
Other financial assets	785	15,181	21,532	21,355	32,705	203	56	—	91,817
Total financial assets	18,568	262,557	1,179,228	1,052,664	3,076,467	2,869,506	3,347,415	2,402,706	14,209,111
Borrowings from central bank	—	(30)	—	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(254,118)	(32,408)	(13,820)	(44,130)	(387,718)	—	—	(732,194)
Placements from banks and other financial institutions	—	—	(67,231)	(59,639)	(19,054)	—	—	—	(145,924)
Financial liabilities held for trading	—	(9,598)	(4,209)	(2,525)	(4,473)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	—	—	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	(912)	(1,711)	(2,291)	(2,064)	(655)	—	(7,633)
Financial assets sold under repurchase agreements	—	—	(20,467)	(1,714)	(2,489)	—	—	—	(24,670)
Due to customers	—	(6,992,996)	(566,747)	(1,009,957)	(2,156,715)	(1,081,746)	(2)	—	(11,808,163)
Debt securities issued	—	—	(3,261)	(26,195)	(94,704)	(16,961)	(125,140)	—	(266,261)
Other financial liabilities	—	(94,794)	(13,211)	(32,118)	(56,293)	(57,738)	(58)	—	(254,212)
Total financial liabilities	—	(7,351,536)	(819,142)	(1,242,563)	(2,438,451)	(1,567,765)	(125,889)	—	(13,545,346)
Net position	**18,568**	**(7,088,979)**	**360,086**	**(189,899)**	**638,016**	**1,301,741**	**3,221,526**	**2,402,706**	**663,765**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 *Liquidity risk* (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Bank (Continued)

	31 December 2012								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	251,308	—	—	—	142,500	—	2,219,101	2,612,909
Deposits with banks and other financial institutions	—	74,023	19,780	69,357	91,845	—	—	—	255,005
Placements with banks and other financial institutions	—	—	100,856	39,461	76,023	8,800	—	—	225,140
Financial assets held for trading	—	—	829	1,303	21,338	3,751	668	—	27,889
Financial assets designated at fair value through profit or loss	—	—	10,107	27,955	75,813	40,673	34	—	154,582
Derivative financial assets	—	—	888	698	1,638	1,094	507	—	4,825
Financial assets held under resale agreements	—	—	466,020	161,914	186,674	—	—	—	814,608
Loans and advances to customers	14,728	—	390,548	582,398	2,071,173	1,249,745	1,818,891	—	6,127,483
Available-for-sale financial assets	3	—	20,292	29,741	195,533	334,786	169,335	388	750,078
Held-to-maturity investments	—	—	5,515	20,796	162,473	672,580	443,585	—	1,304,949
Debt instruments classified as receivables	2	—	8	2,320	5,514	90,992	507,889	—	606,725
Other financial assets	1,152	3,320	13,139	19,216	26,210	179	309	709	64,234
Total financial assets	15,885	328,651	1,027,982	955,159	2,914,234	2,545,100	2,941,218	2,220,198	12,948,427
Borrowings from central bank	—	(30)	—	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(280,682)	(46,395)	(23,648)	(70,227)	(367,744)	(50)	—	(788,746)
Placements from banks and other financial institutions	—	—	(34,627)	(48,883)	(43,618)	(95)	(84)	—	(127,307)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,066)	(41,329)	(42,071)	(9,570)	(35)	—	(155,071)
Derivative financial liabilities	—	—	(566)	(744)	(1,260)	(1,916)	(1,020)	—	(5,506)
Financial assets sold under repurchase agreements	—	—	(5,467)	(2,020)	(144)	—	—	—	(7,631)
Due to customers	—	(6,563,997)	(434,445)	(843,226)	(1,966,736)	(1,053,981)	(2)	—	(10,862,387)
Debt securities issued	—	—	(469)	(13,849)	(14,039)	(39,147)	(125,135)	—	(192,639)
Other financial liabilities	—	(67,572)	(20,693)	(26,659)	(45,444)	(44,553)	(1)	—	(204,922)
Total financial liabilities	—	(6,915,955)	(604,728)	(1,000,358)	(2,183,539)	(1,517,006)	(126,327)	—	(12,347,913)
Net position	**15,885**	**(6,587,304)**	**423,254**	**(45,199)**	**730,695**	**1,028,094**	**2,814,891**	**2,220,198**	**600,514**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the available-for-sale financial assets to repay matured liabilities, if necessary.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

Group

	31 December 2013								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	200,278	1,178	1,153	—	—	—	2,402,346	2,604,955
Deposits with banks and other financial institutions	—	48,496	50,276	56,664	155,291	102,998	—	—	413,725
Placements with banks and other institutions	—	—	164,128	20,528	91,973	41,194	—	—	317,823
Financial assets held for trading	—	2	4,730	3,927	25,471	19,989	4,208	48	58,375
Financial assets designated at fair value through profit or loss	—	—	57,269	63,174	97,889	59,294	53	1,021	278,700
Financial assets held under resale agreements	—	—	442,670	122,239	183,822	—	—	—	748,731
Loans and advances to customers	64,722	—	466,646	804,865	2,487,474	2,245,244	3,232,695	—	9,301,646
Available-for-sale financial assets	—	—	19,240	34,582	138,445	513,619	213,689	2,367	921,942
Held-to-maturity investments	—	—	8,564	42,404	248,001	878,663	685,041	—	1,862,673
Debt instruments classified as receivables	45	113	10,974	2,109	51,609	74,562	505,591	—	645,003
Other financial assets	—	15,331	1,944	9,371	1,348	—	8	—	28,002
Total non-derivative financial assets	64,767	264,220	1,227,619	1,161,016	3,481,323	3,935,563	4,641,285	2,405,782	17,181,575
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	—	(74)	—	—	—	(104)
Deposits from banks and other financial institutions	—	(252,893)	(33,610)	(20,668)	(50,639)	(433,243)	—	—	(791,053)
Placements from banks and other financial institutions	—	—	(69,890)	(66,373)	(38,244)	(1,770)	—	—	(176,277)
Financial liabilities held for trading	—	(9,598)	(4,226)	(2,540)	(4,503)	—	—	—	(20,867)
Financial liabilities designated at fair value through profit or loss	—	—	(111,814)	(96,388)	(60,587)	(22,723)	(45)	—	(291,557)
Financial assets sold under repurchase agreements	—	—	(22,237)	(1,736)	(2,498)	(439)	—	—	(26,910)
Due to customers	—	(6,996,955)	(578,178)	(1,040,462)	(2,256,545)	(1,246,341)	(2)	—	(12,118,483)
Debt securities issued	—	—	(3,304)	(26,700)	(102,947)	(42,022)	(144,077)	—	(319,050)
Other financial liabilities	—	(94,256)	(1,052)	(9,784)	(1,411)	(925)	(16,893)	—	(124,321)
Total non-derivative financial liabilities	—	(7,353,732)	(824,311)	(1,264,651)	(2,517,448)	(1,747,463)	(161,017)	—	(13,868,622)
Net position	**64,767**	**(7,089,512)**	**403,308**	**(103,635)**	**963,875**	**2,188,100**	**4,480,268**	**2,405,782**	**3,312,953**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 *Liquidity risk* (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Group (Continued)

	31 December 2012								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	251,428	—	1,068	5,040	150,626	—	2,219,183	2,627,345
Deposits with banks and other financial institutions	—	75,112	19,999	70,506	95,518	4,443	500	—	266,078
Placements with banks and other institutions	—	—	99,925	40,425	77,920	9,232	—	—	227,502
Financial assets held for trading	—	—	833	1,338	22,108	4,284	778	—	29,341
Financial assets designated at fair value through profit or loss	—	—	10,293	29,052	79,384	42,668	36	784	162,217
Financial assets held under resale agreements	—	—	467,465	164,394	190,703	—	—	—	822,562
Loans and advances to customers	58,549	—	418,614	631,973	2,304,231	1,711,667	3,099,541	—	8,224,575
Available-for-sale financial assets	3	—	21,094	33,935	217,929	398,587	201,210	3,345	876,103
Held-to-maturity investments	—	—	6,960	29,862	200,914	808,016	543,188	—	1,588,940
Debt instruments classified as receivables	407	—	320	2,499	25,103	164,947	600,405	—	793,681
Other financial assets	1,786	6,948	283	688	462	518	1,237	709	12,631
Total non-derivative financial assets	60,745	333,488	1,045,786	1,005,740	3,219,312	3,294,988	4,446,895	2,224,021	15,630,975
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	—	(36)	—	—	—	(66)
Deposits from banks and other financial institutions	—	(276,325)	(48,792)	(31,556)	(78,855)	(421,854)	(64)	—	(857,446)
Placements from banks and other financial institutions	—	—	(36,362)	(52,579)	(61,279)	(99)	(88)	—	(150,407)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,245)	(41,885)	(43,965)	(10,162)	(47)	—	(158,304)
Financial assets sold under repurchase agreements	—	—	(5,480)	(2,039)	(145)	—	—	—	(7,664)
Due to customers	—	(6,570,860)	(445,428)	(870,454)	(2,051,682)	(1,304,297)	(2)	—	(11,242,723)
Debt securities issued	—	—	(502)	(13,975)	(21,401)	(65,031)	(150,332)	—	(251,241)
Other financial liabilities	—	(81,805)	(8,827)	(620)	(5,536)	(567)	(31)	—	(97,386)
Total non-derivative financial liabilities	—	(6,932,694)	(607,636)	(1,013,108)	(2,262,899)	(1,802,010)	(150,564)	—	(12,768,911)
Net position	**60,745**	**(6,599,206)**	**438,150**	**(7,368)**	**956,413**	**1,492,978**	**4,296,331**	**2,224,021**	**2,862,064**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Bank

	31 December 2013								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	200,245	1,178	1,153	—	—	—	2,402,202	2,604,778
Deposits with banks and other financial institutions	—	47,042	49,451	56,627	155,038	97,083	—	—	405,241
Placements with banks and other institutions	—	—	167,541	20,530	91,814	40,277	—	—	320,162
Financial assets held for trading	—	2	4,730	3,927	25,471	19,664	4,208	—	58,002
Financial assets designated at fair value through profit or loss	—	—	57,269	63,174	97,889	59,291	53	—	277,676
Financial assets held under resale agreements	—	—	442,360	122,239	183,822	—	—	—	748,421
Loans and advances to customers	64,627	—	465,783	802,052	2,476,937	2,218,946	3,231,188	—	9,259,533
Available-for-sale financial assets	—	—	19,137	34,327	137,947	512,140	213,208	504	917,263
Held-to-maturity investments	—	—	8,564	42,404	248,001	876,899	680,844	—	1,856,712
Debt instruments classified as receivables	45	113	10,471	2,109	45,464	74,425	505,591	—	638,218
Other financial assets	—	14,882	1,039	7	1,274	—	8	—	17,210
Total non-derivative financial assets	64,672	262,284	1,227,523	1,148,549	3,463,657	3,898,725	4,635,100	2,402,706	17,103,216
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(254,209)	(33,610)	(20,684)	(50,912)	(434,678)	—	—	(794,093)
Placements from banks and other financial institutions	—	—	(67,582)	(60,038)	(19,322)	—	—	—	(146,942)
Financial liabilities held for trading	—	(9,598)	(4,226)	(2,540)	(4,503)	—	—	—	(20,867)
Financial liabilities designated at fair value through profit or loss	—	—	(111,814)	(96,388)	(60,587)	(22,723)	(45)	—	(291,557)
Financial assets sold under repurchase agreements	—	—	(20,475)	(1,736)	(2,498)	—	—	—	(24,709)
Due to customers	—	(6,996,892)	(578,085)	(1,040,428)	(2,253,530)	(1,246,297)	(2)	—	(12,115,234)
Debt securities issued	—	—	(3,304)	(26,700)	(102,947)	(42,022)	(144,077)	—	(319,050)
Other financial liabilities	—	(90,785)	(107)	—	(9)	(33)	(57)	—	(90,991)
Total non-derivative financial liabilities	—	(7,351,514)	(819,203)	(1,248,514)	(2,494,308)	(1,745,753)	(144,181)	—	(13,803,473)
Net position	**64,672**	**(7,089,230)**	**408,320**	**(99,965)**	**969,349**	**2,152,972**	**4,490,919**	**2,402,706**	**3,299,743**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Bank (Continued)

	31 December 2012								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	251,308	—	1,068	5,040	150,626	—	2,219,101	2,627,143
Deposits with banks and other financial institutions	—	74,023	19,999	70,491	94,039	—	—	—	258,552
Placements with banks and other institutions	—	—	101,686	40,425	77,920	9,232	—	—	229,263
Financial assets held for trading	—	—	833	1,338	22,108	4,283	778	—	29,340
Financial assets designated at fair value through profit or loss	—	—	10,293	29,052	79,384	42,668	36	—	161,433
Financial assets held under resale agreements	—	—	467,453	164,394	190,703	—	—	—	822,550
Loans and advances to customers	58,512	—	418,212	630,343	2,296,580	1,692,127	3,098,336	—	8,194,110
Available-for-sale financial assets	3	—	21,094	33,905	217,183	396,957	200,715	388	870,245
Held-to-maturity investments	—	—	6,960	29,853	200,118	806,516	540,390	—	1,583,837
Debt instruments classified as receivables	2	—	320	2,499	25,068	163,485	600,405	—	791,779
Other financial assets	361	3,320	283	—	5	2	—	709	4,680
Total non-derivative financial assets	58,878	328,651	1,047,133	1,003,368	3,208,148	3,265,896	4,440,660	2,220,198	15,572,932
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	—	—	—	—	—	(30)
Deposits from banks and other financial institutions	—	(280,719)	(48,792)	(31,568)	(78,864)	(421,854)	(64)	—	(861,861)
Placements from banks and other financial institutions	—	—	(34,699)	(49,079)	(44,029)	(99)	(88)	—	(127,994)
Financial liabilities held for trading	—	(3,674)	—	—	—	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	—	—	(62,245)	(41,885)	(43,965)	(10,162)	(47)	—	(158,304)
Financial assets sold under repurchase agreements	—	—	(5,480)	(2,039)	(145)	—	—	—	(7,664)
Due to customers	—	(6,570,544)	(445,402)	(870,397)	(2,051,543)	(1,304,278)	(2)	—	(11,242,166)
Debt securities issued	—	—	(502)	(13,975)	(21,401)	(65,031)	(150,332)	—	(251,241)
Other financial liabilities	—	(63,097)	(8,001)	—	(7)	(58)	—	—	(71,163)
Total non-derivative financial liabilities	—	(6,918,064)	(605,121)	(1,008,943)	(2,239,954)	(1,801,482)	(150,533)	—	(12,724,097)
Net position	**58,878**	**(6,589,413)**	**442,012**	**(5,575)**	**968,194**	**1,464,414**	**4,290,127**	**2,220,198**	**2,848,835**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The fair values of the Group's derivatives that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

Group and Bank

	31 December 2013					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	1	(13)	(251)	(118)	66	(315)

	31 December 2012					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	4	(84)	(229)	(356)	(27)	(692)

Derivatives settled on a gross basis

The fair values of the Group's derivatives that will be settled on a gross basis are primarily related to changes in foreign exchange rates and precious metal prices. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

Group

	31 December 2013					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	194,523	138,784	262,107	55,253	1,998	652,665
— Cash outflow	(194,832)	(139,651)	(259,969)	(55,220)	(1,998)	(651,670)
Total	**(309)**	**(867)**	**2,138**	**33**	**—**	**995**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Derivative cash flows (Continued)

Derivatives settled on a gross basis (Continued)

Group (Continued)

	31 December 2012					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	99,558	104,039	209,501	11,453	255	424,806
— Cash outflow	(99,351)	(103,781)	(209,391)	(11,905)	(511)	(424,939)
Total	**207**	**258**	**110**	**(452)**	**(256)**	**(133)**

Bank

	31 December 2013					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	194,305	137,385	256,212	54,638	1,998	644,538
— Cash outflow	(194,609)	(138,253)	(253,998)	(54,606)	(1,998)	(643,464)
Total	**(304)**	**(868)**	**2,214**	**32**	**—**	**1,074**

	31 December 2012					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	99,343	104,039	209,501	11,453	255	424,591
— Cash outflow	(99,127)	(103,781)	(209,391)	(11,905)	(511)	(424,715)
Total	**216**	**258**	**110**	**(452)**	**(256)**	**(124)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.2 Liquidity risk (Continued)

Credit Commitments

The tables below summarize the amounts of these off-balance sheet items by remaining maturity.

Group and Bank

	31 December 2013			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	65,822	143,778	260,669	470,269
Bank acceptances	404,852	—	—	404,852
Credit card commitments	219,682	—	—	219,682
Guarantee and letters of guarantee	77,638	72,772	40,663	191,073
Letters of credit	192,953	2,680	436	196,069
Total	**960,947**	**219,230**	**301,768**	**1,481,945**

Group

	31 December 2012			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	352,290	59,204	152,447	563,941
Bank acceptances	397,311	—	—	397,311
Credit card commitments	199,555	—	—	199,555
Guarantee and letters of guarantee	66,525	73,122	42,225	181,872
Letters of credit	142,429	3,823	460	146,712
Total	**1,158,110**	**136,149**	**195,132**	**1,489,391**

Bank

	31 December 2012			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	352,201	59,180	152,447	563,828
Bank acceptances	397,311	—	—	397,311
Credit card commitments	199,555	—	—	199,555
Guarantee and letters of guarantee	66,525	73,122	42,225	181,872
Letters of credit	142,429	3,823	460	146,712
Total	**1,158,021**	**136,125**	**195,132**	**1,489,278**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on- and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on- and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading, including all derivatives instruments. Any other financial instruments are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies. The foundation of the Group's limit and risk monitoring system is based on VaR, which is used consistently to monitor all classes of financial instruments in the trading book.

The Group has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading books, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Group selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Group verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

VaR Analysis for the Trading Book

Bank

	2013			
	At the end of the year	Average	Maximum	Minimum
Interest rate risk	81	46	91	17
Exchange rate risk (2)	161	80	161	12
Commodity risk	31	17	51	2
Overall VaR	211	113	211	36

Bank

	2012			
	At the end of the year	Average	Maximum	Minimum
Interest rate risk	19	16	20	10
Exchange rate risk (2)	46	42	103	13
Commodity risk	51	44	81	11
Overall VaR	47	50	116	27

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book (Continued)

(1) The Group commenced calculating VaR for the Bank's trading book (excluding foreign currency against RMB transactions) in 2012.

(2) VaR related to gold is recognized as a component of foreign exchange rate risk.

The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and gold. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjusts its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the character of the underlying instruments or transactions. This distinction improves, among other things, exposure limit monitoring, enforcement of stop-loss limit, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits more closely to its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's foreign currency operations and treasury exposures.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

Group

	31 December 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,591,348	10,141	1,705	608	2,603,802
Deposits with banks and other financial institutions	354,025	29,913	9,279	4,461	397,678
Placements with banks and other financial institutions	286,869	20,828	472	486	308,655
Financial assets held for trading	53,864	—	—	—	53,864
Financial assets designated at fair value through profit or loss	256,157	7,474	5,387	—	269,018
Derivative financial assets	2,695	4,362	487	642	8,186
Financial assets held under resale agreements	737,052	—	—	—	737,052
Loans and advances to customers	6,520,161	332,795	33,709	15,857	6,902,522
Available-for-sale financial assets	727,690	47,290	2,605	3,726	781,311
Held-to-maturity investments	1,521,466	1,990	157	202	1,523,815
Debt instruments classified as receivables	592,089	—	—	1	592,090
Other financial assets	92,736	8,683	946	659	103,024
Total financial assets	13,736,152	463,476	54,747	26,642	14,281,017
Borrowings from central bank	(104)	—	—	—	(104)
Deposits from banks and other financial institutions	(591,172)	(136,898)	(1,087)	(197)	(729,354)
Placements from banks and other financial institutions	(69,272)	(76,661)	(19,225)	(9,205)	(174,363)
Financial liabilities held for trading	(20,805)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	(285,172)	(152)	(24)	(106)	(285,454)
Derivative financial liabilities	(1,814)	(4,166)	(1,505)	(150)	(7,635)
Financial assets sold under repurchase agreements	(23,653)	(3,134)	—	—	(26,787)
Due to customers	(11,604,979)	(158,648)	(34,279)	(13,505)	(11,811,411)
Debt securities issued	(202,197)	(44,444)	(18,870)	(750)	(266,261)
Other financial liabilities	(277,167)	(8,358)	(1,984)	(140)	(287,649)
Total financial liabilities	(13,076,335)	(432,461)	(76,974)	(24,053)	(13,609,823)
Net on-balance sheet position	**659,817**	**31,015**	**(22,227)**	**2,589**	**671,194**
Net notional amount of derivatives	(28,817)	232	26,246	3,295	956
Credit commitments	1,288,368	167,463	6,811	19,303	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Group (Continued)

	31 December 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,600,641	10,808	1,082	580	2,613,111
Deposits with banks and other financial institutions	190,257	42,050	12,644	17,282	262,233
Placements with banks and other financial institutions	177,547	44,888	529	416	223,380
Financial assets held for trading	27,847	42	—	—	27,889
Financial assets designated at fair value through profit or loss	138,200	7,641	9,422	103	155,366
Derivative financial assets	2,017	1,297	1,064	447	4,825
Financial assets held under resale agreements	814,620	—	—	—	814,620
Loans and advances to customers	5,818,485	303,166	25,757	6,003	6,153,411
Available-for-sale financial assets	713,066	34,596	1,896	5,945	755,503
Held-to-maturity investments	1,305,811	2,618	135	232	1,308,796
Debt instruments classified as receivables	608,187	—	405	2	608,594
Other financial assets	69,293	1,848	1,237	246	72,624
Total financial assets	12,465,971	448,954	54,171	31,256	13,000,352
Borrowings from central bank	(66)	—	—	—	(66)
Deposits from banks and other financial institutions	(597,957)	(183,054)	(1,787)	(1,554)	(784,352)
Placements from banks and other financial institutions	(52,846)	(60,904)	(17,569)	(18,402)	(149,721)
Financial liabilities held for trading	(3,674)	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	(154,266)	(671)	(9)	(125)	(155,071)
Derivative financial liabilities	(1,781)	(1,874)	(1,246)	(613)	(5,514)
Financial assets sold under repurchase agreements	(7,631)	—	—	—	(7,631)
Due to customers	(10,671,998)	(146,899)	(21,561)	(22,477)	(10,862,935)
Debt securities issued	(157,951)	(15,626)	(18,659)	(403)	(192,639)
Other financial liabilities	(223,093)	(3,741)	(3,622)	(674)	(231,130)
Total financial liabilities	(11,871,263)	(412,769)	(64,453)	(44,248)	(12,392,733)
Net on-balance sheet position	**594,708**	**36,185**	**(10,282)**	**(12,992)**	**607,619**
Net notional amount of derivatives	(21,877)	(3,800)	13,280	16,557	4,160
Credit commitments	1,331,062	125,146	17,122	16,061	1,489,391

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Bank

	31 December 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,591,171	10,141	1,705	608	2,603,625
Deposits with banks and other financial institutions	347,122	29,824	8,601	4,391	389,938
Placements with banks and other financial institutions	287,174	22,282	472	1,039	310,967
Financial assets held for trading	53,497	—	—	—	53,497
Financial assets designated at fair value through profit or loss	255,562	7,045	5,387	—	267,994
Derivative financial assets	2,695	4,352	487	642	8,176
Financial assets held under resale agreements	736,742	—	—	—	736,742
Loans and advances to customers	6,487,640	330,006	33,559	14,978	6,866,183
Available-for-sale financial assets	723,604	46,780	2,605	3,726	776,715
Held-to-maturity investments	1,515,649	1,990	157	202	1,517,998
Debt instruments classified as receivables	585,458	—	—	1	585,459
Other financial assets	82,288	8,656	214	659	91,817
Total financial assets	13,668,602	461,076	53,187	26,246	14,209,111
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(593,959)	(136,898)	(1,140)	(197)	(732,194)
Placements from banks and other financial institutions	(43,205)	(75,112)	(19,068)	(8,539)	(145,924)
Financial liabilities held for trading	(20,805)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	(285,172)	(152)	(24)	(106)	(285,454)
Derivative financial liabilities	(1,814)	(4,164)	(1,505)	(150)	(7,633)
Financial assets sold under repurchase agreements	(21,536)	(3,134)	—	—	(24,670)
Due to customers	(11,601,828)	(158,622)	(34,279)	(13,434)	(11,808,163)
Debt securities issued	(202,197)	(44,444)	(18,870)	(750)	(266,261)
Other financial liabilities	(245,279)	(7,881)	(913)	(139)	(254,212)
Total financial liabilities	(13,015,825)	(430,407)	(75,799)	(23,315)	(13,545,346)
Net on-balance sheet position	**652,777**	**30,669**	**(22,612)**	**2,931**	**663,765**
Net notional amount of derivatives	(28,761)	233	26,266	3,295	1,033
Credit commitments	1,288,368	167,463	6,811	19,303	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Bank (Continued)

	31 December 2012				
	RMB	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Other currencies (RMB equivalent)**	**Total**
Cash and balances with central banks	2,600,439	10,808	1,082	580	2,612,909
Deposits with banks and other financial institutions	183,029	42,050	12,644	17,282	255,005
Placements with banks and other financial institutions	177,547	46,648	529	416	225,140
Financial assets held for trading	27,847	42	—	—	27,889
Financial assets designated at fair value through profit or loss	137,538	7,519	9,422	103	154,582
Derivative financial assets	2,017	1,297	1,064	447	4,825
Financial assets held under resale agreements	814,608	—	—	—	814,608
Loans and advances to customers	5,794,735	300,971	26,000	5,777	6,127,483
Available-for-sale financial assets	707,846	34,391	1,896	5,945	750,078
Held-to-maturity investments	1,301,964	2,618	135	232	1,304,949
Debt instruments classified as receivables	606,723	—	—	2	606,725
Other financial assets	61,905	1,837	246	246	64,234
Total financial assets	12,416,198	448,181	53,018	31,030	12,948,427
Borrowings from central bank	(30)	—	—	—	(30)
Deposits from banks and other financial institutions	(602,351)	(183,054)	(1,787)	(1,554)	(788,746)
Placements from banks and other financial institutions	(30,746)	(60,590)	(17,569)	(18,402)	(127,307)
Financial liabilities held for trading	(3,674)	—	—	—	(3,674)
Financial liabilities designated at fair value through profit or loss	(154,266)	(671)	(9)	(125)	(155,071)
Derivative financial liabilities	(1,781)	(1,874)	(1,246)	(605)	(5,506)
Financial assets sold under repurchase agreements	(7,631)	—	—	—	(7,631)
Due to customers	(10,671,450)	(146,899)	(21,561)	(22,477)	(10,862,387)
Debt securities issued	(157,951)	(15,626)	(18,659)	(403)	(192,639)
Other financial liabilities	(198,901)	(3,379)	(1,968)	(674)	(204,922)
Total financial liabilities	(11,828,781)	(412,093)	(62,799)	(44,240)	(12,347,913)
Net on-balance sheet position	**587,417**	**36,088**	**(9,781)**	**(13,210)**	**600,514**
Net notional amount of derivatives	(21,877)	(3,800)	13,280	16,557	4,160
Credit commitments	1,330,949	125,146	17,122	16,061	1,489,278

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax arising from a 1% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities of the Group's Domestic Operations in the consolidated statement of financial position. Foreign currency position of the Group's Overseas Operations is not included in this assessment.

Group

	Profit before tax	
	Year ended 31 December	
	2013	**2012**
1% appreciation	202	(70)
1% depreciation	(202)	70

Bank

	Profit before tax	
	Year ended 31 December	
	2013	**2012**
1% appreciation	197	(69)
1% depreciation	(197)	69

The effect on profit before tax is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC establishes RMB benchmark interest rates with a cap for RMB deposit rates as at 31 December 2013.

The Group manages its interest rate risk by:

— Regularly monitoring the macro-economic factors that potentially impact the PBOC benchmark interest rates;

— Optimizing the management over the differences in timing between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities; and

— Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities, with reference to the prevailing PBOC benchmark interest rates where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or repricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

Group

	31 December 2013						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,372,965	—	—	—	—	230,837	2,603,802
Deposits with banks and other financial institutions	116,138	50,929	129,431	98,968	—	2,212	397,678
Placements with banks and other financial institutions	162,657	21,862	86,453	37,683	—	—	308,655
Financial assets held for trading	6,289	5,759	23,673	14,370	3,723	50	53,864
Financial assets designated at fair value through profit or loss	71,322	77,635	90,059	28,950	31	1,021	269,018
Derivative financial assets	—	—	—	—	—	8,186	8,186
Financial assets held under resale agreements	439,889	119,212	177,951	—	—	—	737,052
Loans and advances to customers	2,397,715	1,355,109	2,909,162	100,804	139,732	—	6,902,522
Available-for-sale financial assets	52,362	72,720	141,801	351,271	160,790	2,367	781,311
Held-to-maturity investments	11,522	67,157	234,029	669,875	541,232	—	1,523,815
Debt instruments classified as receivables	10,635	1,775	54,372	45,099	480,095	114	592,090
Other financial assets	—	—	—	—	—	103,024	103,024
Total financial assets	5,641,494	1,772,158	3,846,931	1,347,020	1,325,603	347,811	14,281,017
Borrowings from central bank	—	—	(74)	—	—	(30)	(104)
Deposits from banks and other financial institutions	(296,210)	(13,109)	(43,112)	(376,853)	—	(70)	(729,354)
Placements from banks and other financial institutions	(69,464)	(65,740)	(37,427)	(1,732)	—	—	(174,363)
Financial liabilities held for trading	(4,209)	(2,525)	(4,473)	—	—	(9,598)	(20,805)
Financial liabilities designated at fair value through profit or loss	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	—	—	—	(7,635)	(7,635)
Financial assets sold under repurchase agreements	(22,225)	(1,714)	(2,489)	(359)	—	—	(26,787)
Due to customers	(7,415,705)	(1,009,991)	(2,159,729)	(1,081,790)	(2)	(144,194)	(11,811,411)
Debt securities issued	(14,846)	(35,979)	(81,761)	(8,534)	(125,141)	—	(266,261)
Other financial liabilities	—	—	—	—	—	(287,649)	(287,649)
Total financial liabilities	(7,933,355)	(1,223,942)	(2,387,367)	(1,490,806)	(125,177)	(449,176)	(13,609,823)
Interest rate gap	**(2,291,861)**	**548,216**	**1,459,564**	**(143,786)**	**1,200,426**	**(101,365)**	**671,194**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk (Continued)

Group (Continued)

	31 December 2012						
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with central banks	2,242,787	—	—	142,500	—	227,824	2,613,111
Deposits with banks and other financial institutions	97,393	69,357	92,844	2,139	500	—	262,233
Placements with banks and other financial institutions	100,072	39,411	75,297	8,600	—	—	223,380
Financial assets held for trading	911	1,521	21,713	3,184	560	—	27,889
Financial assets designated at fair value through profit or loss	12,422	37,674	75,705	28,743	34	788	155,366
Derivative financial assets	—	—	—	—	—	4,825	4,825
Financial assets held under resale agreements	466,032	161,914	186,674	—	—	—	814,620
Loans and advances to customers	2,236,320	1,198,314	2,670,038	23,133	25,606	—	6,153,411
Available-for-sale financial assets	31,481	58,855	228,865	276,455	156,499	3,348	755,503
Held-to-maturity investments	10,953	63,043	210,542	596,088	428,170	—	1,308,796
Debt instruments classified as receivables	8	2,320	15,548	82,422	507,889	407	608,594
Other financial assets	—	—	176	—	—	72,448	72,624
Total financial assets	5,198,379	1,632,409	3,577,402	1,163,264	1,119,258	309,640	13,000,352
Borrowings from central bank	—	—	(36)	—	—	(30)	(66)
Deposits from banks and other financial institutions	(371,364)	(23,582)	(69,652)	(318,639)	(50)	(1,065)	(784,352)
Placements from banks and other financial institutions	(36,291)	(52,395)	(60,868)	(83)	(84)	—	(149,721)
Financial liabilities held for trading	—	—	—	—	—	(3,674)	(3,674)
Financial liabilities designated at fair value through profit or loss	(66,429)	(52,362)	(34,720)	(1,554)	—	(6)	(155,071)
Derivative financial liabilities	—	—	—	—	—	(5,514)	(5,514)
Financial assets sold under repurchase agreements	(5,467)	(2,020)	(144)	—	—	—	(7,631)
Due to customers	(6,916,464)	(840,181)	(1,945,367)	(1,023,651)	(2)	(137,270)	(10,862,935)
Debt securities issued	(7,594)	(19,376)	(16,775)	(23,759)	(125,135)	—	(192,639)
Other financial liabilities	—	—	—	—	—	(231,130)	(231,130)
Total financial liabilities	(7,403,609)	(989,916)	(2,127,562)	(1,367,686)	(125,271)	(378,689)	(12,392,733)
Interest rate gap	**(2,205,230)**	**642,493**	**1,449,840**	**(204,422)**	**993,987**	**(69,049)**	**607,619**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk (Continued)

Bank

	31 December 2013						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,372,810	—	—	—	—	230,815	2,603,625
Deposits with banks and other financial institutions	114,808	50,729	129,431	93,501	—	1,469	389,938
Placements with banks and other financial institutions	166,016	21,150	86,301	37,500	—	—	310,967
Financial assets held for trading	6,289	5,503	23,610	14,370	3,723	2	53,497
Financial assets designated at fair value through profit or loss	71,322	77,635	90,059	28,947	31	—	267,994
Derivative financial assets	—	—	—	—	—	8,176	8,176
Financial assets held under resale agreements	439,579	119,212	177,951	—	—	—	736,742
Loans and advances to customers	2,397,012	1,352,794	2,900,373	77,635	138,369	—	6,866,183
Available-for-sale financial assets	52,262	72,344	139,669	351,146	160,790	504	776,715
Held-to-maturity investments	11,521	66,569	228,801	669,875	541,232	—	1,517,998
Debt instruments classified as receivables	10,135	1,775	48,369	44,971	480,095	114	585,459
Other financial assets	—	—	—	—	—	91,817	91,817
Total financial assets	5,641,754	1,767,711	3,824,564	1,317,945	1,324,240	332,897	14,209,111
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(297,526)	(13,109)	(43,332)	(378,157)	—	(70)	(732,194)
Placements from banks and other financial institutions	(67,231)	(59,639)	(19,054)	—	—	—	(145,924)
Financial liabilities held for trading	(4,209)	(2,525)	(4,473)	—	—	(9,598)	(20,805)
Financial liabilities designated at fair value through profit or loss	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	—	—	—	(7,633)	(7,633)
Financial assets sold under repurchase agreements	(20,467)	(1,714)	(2,489)	—	—	—	(24,670)
Due to customers	(7,415,549)	(1,009,957)	(2,156,715)	(1,081,746)	(2)	(144,194)	(11,808,163)
Debt securities issued	(14,846)	(35,979)	(81,761)	(8,534)	(125,141)	—	(266,261)
Other financial liabilities	—	—	—	—	—	(254,212)	(254,212)
Total financial liabilities	(7,930,524)	(1,217,807)	(2,366,126)	(1,489,975)	(125,177)	(415,737)	(13,545,346)
Interest rate gap	**(2,288,770)**	**549,904**	**1,458,438**	**(172,030)**	**1,199,063**	**(82,840)**	**663,765**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk (Continued)

Bank (Continued)

	31 December 2012						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,242,658	—	—	142,500	—	227,751	2,612,909
Deposits with banks and other financial institutions	93,804	69,357	91,844	—	—	—	255,005
Placements with banks and other financial institutions	101,832	39,411	75,297	8,600	—	—	225,140
Financial assets held for trading	911	1,521	21,713	3,184	560	—	27,889
Financial assets designated at fair value through profit or loss	12,422	37,674	75,705	28,743	34	4	154,582
Derivative financial assets	—	—	—	—	—	4,825	4,825
Financial assets held under resale agreements	466,020	161,914	186,674	—	—	—	814,608
Loans and advances to customers	2,235,835	1,196,628	2,663,867	6,637	24,516	—	6,127,483
Available-for-sale financial assets	31,481	58,839	228,220	275,059	156,088	391	750,078
Held-to-maturity investments	10,953	63,043	209,943	595,217	425,793	—	1,304,949
Debt instruments classified as receivables	8	2,320	15,513	80,993	507,889	2	606,725
Other financial assets	—	—	—	—	—	64,234	64,234
Total financial assets	5,195,924	1,630,707	3,568,776	1,140,933	1,114,880	297,207	12,948,427
Borrowings from central bank	—	—	—	—	—	(30)	(30)
Deposits from banks and other financial institutions	(375,758)	(23,582)	(69,652)	(318,639)	(50)	(1,065)	(788,746)
Placements from banks and other financial institutions	(34,627)	(48,895)	(43,618)	(83)	(84)	—	(127,307)
Financial liabilities held for trading	—	—	—	—	—	(3,674)	(3,674)
Financial liabilities designated at fair value through profit or loss	(66,429)	(52,362)	(34,720)	(1,554)	—	(6)	(155,071)
Derivative financial liabilities	—	—	—	—	—	(5,506)	(5,506)
Financial assets sold under repurchase agreements	(5,467)	(2,020)	(144)	—	—	—	(7,631)
Due to customers	(6,916,123)	(840,125)	(1,945,233)	(1,023,634)	(2)	(137,270)	(10,862,387)
Debt securities issued	(7,594)	(19,376)	(16,775)	(23,759)	(125,135)	—	(192,639)
Other financial liabilities	—	—	—	—	—	(204,922)	(204,922)
Total financial liabilities	(7,405,998)	(986,360)	(2,110,142)	(1,367,669)	(125,271)	(352,473)	(12,347,913)
Interest rate gap	**(2,210,074)**	**644,347**	**1,458,634**	**(226,736)**	**989,609**	**(55,266)**	**600,514**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.3 Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant RMB, USD and HKD interest rate curves on the Group's net interest income and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The sensitivity analysis on equity reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of equity.

Group

	31 December 2013		31 December 2012	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(11,922)	(19,330)	(10,342)	(13,305)
-100 basis points	11,922	19,330	10,342	13,966

Bank

	31 December 2013		31 December 2012	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(11,882)	(19,330)	(10,340)	(13,305)
-100 basis points	11,882	19,330	10,340	13,966

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and equity of the Group under different parallel yield curve movements, relative to their position at period-end.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

46.4 Insurance risk

The Group engages in its insurance business primarily in the Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

47 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

In 2012, the CBRC issued the "Regulation Governing Capital of Commercial Banks (Provisional)" which took effect 1 January 2013. Upon the effectiveness of this new regulation, the existing "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", issued by the CBRC, was superseded in full.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 CAPITAL MANAGEMENT (Continued)

The "Regulation Governing Capital of Commercial Banks (Provisional)", includes, among other things, requirements for minimum capital, additional capital for systemically important banks, capital reserves, countercyclical capital and Pillar II capital. Of these, the minimum regulatory requirements for Core Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively; and systemically important banks in Mainland China are required to maintain an additional 1% of Core Tier-one Capital. At the same time, according to the CBRC's "Notice of Transitional Arrangements for the Implementation of the 'Regulation Governing Capital of Commercial Banks (Provisional)'", Core Tier-one capital reserve requirements, will be introduced gradually during the transitional period. Additionally, if the regulators require countercyclical capital under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements should be met within the specified time limits.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

The table below summarizes the Capital Adequacy Ratios and capital composition calculated pursuant to the "Regulation Governing Capital of Commercial Banks (Provisional)" as at 31 December 2013.

		31 December 2013
Core Tier-one Capital Adequacy Ratio	(1)	9.25%
Tier-one Capital Adequacy Ratio	(1)	9.25%
Capital Adequacy Ratio	(1)	11.86%
Core Tier-one Capital	(2)	843,498
Deductible Items from Core Tier-one Capital	(3)	(5,025)
Net Core Tier-one Capital		838,473
Additional Tier-one Capital	(4)	1
Net Tier-one Capital		838,474
Tier-two Capital	(5)	236,493
Net Capital		1,074,967
Risk-weighted Assets	(6)	9,065,631

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 CAPITAL MANAGEMENT (Continued)

Pursuant to the "Regulation Governing Capital of Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Core Tier-one Capital Adequacy Ratio is calculated as Net Core Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Core Tier-one Capital includes: ordinary share capital, the capital reserve (subject to regulatory limitations), the surplus reserve, the general reserve, retained earnings, minority interests (to the extent permitted in the Core Tier-one Capital under the Regulation), and the foreign currency translation reserve.

(3) The Group's Deductible Items from Core Tier-one Capital include: other intangible assets (excluding land-use rights), and Core Tier-One capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: minority interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group applies a weighted approach, a standardized approach and a basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively.

The Group's Capital Adequacy Ratio and Core Capital Adequacy Ratio, measured pursuant to the "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", were 12.61% and 9.67%, respectively, as at 31 December 2012.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any non-recurring fair value measurements for the year ended 31 December 2013 and 2012.

48.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— The fair value of financial assets and financial liabilities with standard terms and conditions, traded in active, liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

— Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option-type derivatives, and option pricing models are used for option-type derivatives;

— The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there are no available observable current market transactions prices for similar instruments, the quoted price from the transaction counterparty is used for the valuation, and management performs analysis on this price.

The Group has established an independent valuation process for financial assets and financial liabilities. The Finance Market Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2013, there was no significant change in the valuation techniques or inputs used to determine fair value measurements as compared to those used in the annual financial statements for the year ended 31 December 2012.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: fair value measurements are not based on observable market data (that is, unobservable inputs).

48.3 Financial assets and financial liabilities not measured at fair value on the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as Balances with Central Banks, Deposits and Placements with Banks and Other Financial Institutions, Financial Assets Held under Resale Agreements, Loans and Advances to Customers, Receivable from the MOF, Special Government Bond, Borrowings from Central Bank, Deposits and Placements from Banks and Other Financial Institutions, Due to Customers, Financial Assets Sold under Repurchase Agreements and Certificates of Deposit Issued, are not included in the tables below. Fair value of the following financial assets and financial liabilities are classified within Level 2.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.3 Financial assets and financial liabilities not measured at fair value on the consolidated statement of financial position (Continued)

Group

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-to-maturity investments	1,523,815	1,444,898	1,308,796	1,301,753
Debt instruments classified as receivables	136,736	131,214	122,411	120,927
	1,660,551	**1,576,112**	**1,431,207**	**1,422,680**
Financial liabilities				
Bonds issued	156,300	146,741	150,885	149,491
	156,300	**146,741**	**150,885**	**149,491**

Bank

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held-to-maturity investments	1,517,998	1,439,081	1,304,949	1,298,010
Debt instruments classified as receivables	130,105	124,583	120,542	119,041
	1,648,103	**1,563,664**	**1,425,491**	**1,417,051**
Financial liabilities				
Bonds issued	156,300	146,741	150,885	149,491
	156,300	**146,741**	**150,885**	**149,491**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

Group

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	42,012	—	42,012
— Equity instruments	48	—	—	48
— Precious metal lease contracts	—	11,804	—	11,804
Subtotal	48	53,816	—	53,864
Financial assets designated at fair value through profit or loss				
— Debt securities	—	58,007	—	58,007
— Interest in trust products	—	—	171,280	171,280
— Other debt instruments	—	—	38,710	38,710
— Equity instruments	—	—	1,021	1,021
Subtotal	—	58,007	211,011	269,018
Derivative financial assets				
— Exchange rate derivatives	—	5,623	292	5,915
— Interest rate derivatives	—	1,582	55	1,637
— Precious metal contracts	—	634	—	634
Subtotal	—	7,839	347	8,186
Available-for-sale financial assets				
— Debt securities	6,802	771,946	196	778,944
— Equity instruments	549	—	29	578
— Fund investments	988	—	—	988
— Others	—	560	—	560
Subtotal	8,339	772,506	225	781,070
Total	**8,387**	**892,168**	**211,583**	**1,112,138**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(20,805)	—	(20,805)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(285,454)	(285,454)
Derivative financial liabilities				
— Exchange rate derivatives	—	(5,123)	(571)	(5,694)
— Interest rate derivatives	—	(1,820)	(120)	(1,940)
— Others	—	—	(1)	(1)
Subtotal	—	(6,943)	(692)	(7,635)
Total	**—**	**(27,748)**	**(286,146)**	**(313,894)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Group (Continued)

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	23,189	—	23,189
— Precious metal lease contracts	—	4,700	—	4,700
Subtotal	—	27,889	—	27,889
Financial assets designated at fair value through profit or loss				
— Debt securities	5,023	23,249	1,274	29,546
— Interest in trust products	—	—	76,265	76,265
— Other debt instruments	—	—	48,771	48,771
— Equity instruments	—	—	784	784
Subtotal	5,023	23,249	127,094	155,366
Derivative financial assets				
— Exchange rate derivatives	—	3,119	701	3,820
— Interest rate derivatives	—	830	95	925
— Precious metal contracts	—	80	—	80
Subtotal	—	4,029	796	4,825
Available-for-sale financial assets				
— Debt securities	22,071	724,565	5,522	752,158
— Equity instruments	437	—	—	437
— Fund investments	2,465	—	219	2,684
Subtotal	24,973	724,565	5,741	755,279
Total	**29,996**	**779,732**	**133,631**	**943,359**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(3,674)	—	(3,674)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(155,065)	(155,065)
— Others	—	—	(6)	(6)
Subtotal	—	—	(155,071)	(155,071)
Derivative financial liabilities				
— Exchange rate derivatives	—	(2,478)	(1,459)	(3,937)
— Interest rate derivatives	—	(1,172)	(397)	(1,569)
— Precious metal contracts	—	(8)	—	(8)
Subtotal	—	(3,658)	(1,856)	(5,514)
Total	**—**	**(7,332)**	**(156,927)**	**(164,259)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Bank

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
— Debt securities	—	41,693	—	41,693
— Precious metal lease contracts	—	11,804	—	11,804
Subtotal	—	53,497	—	53,497
Financial assets designated at fair value through profit or loss				
— Debt securities	—	58,007	—	58,007
— Interest in trust products	—	—	171,277	171,277
— Other debt instruments	—	—	38,710	38,710
Subtotal	—	58,007	209,987	267,994
Derivative financial assets				
— Exchange rate derivatives	—	5,613	292	5,905
— Interest rate derivatives	—	1,582	55	1,637
— Precious metal contracts	—	634	—	634
Subtotal	—	7,829	347	8,176
Available-for-sale financial assets				
— Debt securities	6,420	769,595	196	776,211
— Equity instruments	263	—	—	263
Subtotal	6,683	769,595	196	776,474
Total	**6,683**	**888,928**	**210,530**	**1,106,141**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(20,805)	—	(20,805)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(285,454)	(285,454)
Derivative financial liabilities				
— Exchange rate derivatives	—	(5,121)	(571)	(5,692)
— Interest rate derivatives	—	(1,820)	(120)	(1,940)
— Others	—	—	(1)	(1)
Subtotal	—	(6,941)	(692)	(7,633)
Total	**—**	**(27,746)**	**(286,146)**	**(313,892)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Bank (Continued)

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	23,189	—	23,189
— Precious metal lease contracts	—	4,700	—	4,700
Subtotal	—	27,889	—	27,889
Financial assets designated at fair value through profit or loss				
— Debt securities	5,023	23,249	1,274	29,546
— Interest in trust products	—	—	76,265	76,265
— Other debt instruments	—	—	48,771	48,771
Subtotal	5,023	23,249	126,310	154,582
Derivative financial assets				
— Exchange rate derivatives	—	3,119	701	3,820
— Interest rate derivatives	—	830	95	925
— Precious metal contracts	—	80	—	80
Subtotal	—	4,029	796	4,825
Available-for-sale financial assets				
— Debt securities	21,905	722,317	5,468	749,690
— Equity instruments	164	—	—	164
Subtotal	22,069	722,317	5,468	749,854
Total	**27,092**	**777,484**	**132,574**	**937,150**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(3,674)	—	(3,674)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(155,065)	(155,065)
— Others	—	—	(6)	(6)
Subtotal	—	—	(155,071)	(155,071)
Derivative financial liabilities				
— Exchange rate derivatives	—	(2,470)	(1,459)	(3,929)
— Interest rate derivatives	—	(1,172)	(397)	(1,569)
— Precious metal contracts	—	(8)	—	(8)
Subtotal	—	(3,650)	(1,856)	(5,506)
Total	**—**	**(7,324)**	**(156,927)**	**(164,251)**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Substantially all financial assets and financial liabilities classified within Level 3 of the fair value hierarchy are credit assets and other financial assets and financial liabilities designated at fair value through profit or loss. Generally, these assets are the investments into which wealth management products have invested, and for which the Group has provided investors with a principal, and/or return guarantee. The related liability, the wealth management product itself, is also designated at fair value through profit or loss. These designations offset the accounting mismatch.

The nature of the assets classified within Level 3 is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The counterparties of the underlying deposits are primarily commercial banks in Mainland China. The credit assets and debt securities are loans and advances to customers and, plain vanilla bonds or notes issued by corporates or financial institutions in Mainland China. As not all of the inputs needed to estimate the fair value of deposits, credit assets and debt securities in the investment products are observable, the Group classified the investment product as a whole within Level 3. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these securities in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy during the year ended 31 December 2013 and 2012.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

The reconciliation of Level 3 fair value measurements of financial assets and financial liabilities presented at fair value on the consolidated statement of financial position is as follows:

Group

	Year ended 31 December 2013				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2013	127,094	796	5,741	(155,071)	(1,856)
Purchases	433,011	—	—	—	—
Issues	—	—	—	(1,201,295)	—
Settlements	(357,601)	(48)	(5,536)	1,080,965	232
Total gains or losses recognized in					
— Profit or loss	8,507	(401)	22	(10,053)	932
— Other comprehensive income	—	—	(2)	—	—
31 December 2013	**211,011**	**347**	**225**	**(285,454)**	**(692)**
Change in unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	647	(401)	—	(693)	932

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Group (Continued)

	Year ended 31 December 2012				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2012	37,843	4,301	627	(208,057)	(6,397)
Purchases	474,353	—	5,687	—	—
Issues	—	—	—	(148,022)	—
Settlements	(389,674)	(291)	(627)	204,164	259
Total gains or losses recognized in					
— Profit or loss	4,572	(3,214)	49	(3,156)	4,282
— Other comprehensive income	—	—	5	—	—
31 December 2012	**127,094**	**796**	**5,741**	**(155,071)**	**(1,856)**
Change in unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	2,596	(2,991)	—	(1,050)	4,282

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Bank

	Year ended 31 December 2013				
	Financial assets designated at fair value through profit or loss	**Derivative financial assets**	**Available-for-sale financial assets**	**Financial liabilities designated at fair value through profit or loss**	**Derivative financial liabilities**
1 January 2013	126,310	796	5,468	(155,071)	(1,856)
Purchases	432,777	—	—	—	—
Issues	—	—	—	(1,201,295)	—
Settlements	(357,577)	(48)	(5,291)	1,080,965	232
Total gains or losses recognized in					
— Profit or loss	8,477	(401)	22	(10,053)	932
— Other comprehensive income	—	—	(3)	—	—
31 December 2013	**209,987**	**347**	**196**	**(285,454)**	**(692)**
Change in unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	647	(401)	—	(693)	932

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

48.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Bank (Continued)

	Year ended 31 December 2012				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2012	37,843	4,301	627	(208,057)	(6,397)
Purchases	473,554	—	5,414	—	—
Issues	—	—	—	(148,022)	—
Settlements	(389,674)	(291)	(627)	204,164	259
Total gains or losses recognized in					
— Profit or loss	4,587	(3,214)	49	(3,156)	4,282
— Other comprehensive income	—	—	5	—	—
31 December 2012	**126,310**	**796**	**5,468**	**(155,071)**	**(1,856)**
Change in unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	2,596	(2,991)	—	(1,050)	4,282

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year are presented in Net Trading Gain and Net Loss on Investment Securities of the consolidated income statement.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the meeting of the Board of Directors on 25 March 2014, the proposal of the profit appropriations of the Bank for the year ended 31 December 2013 is set out as follows:

(i) An appropriation of RMB16,578 million to the statutory surplus reserve;

(ii) An appropriation of RMB17,330 million to the general reserve (Hong Kong branch and Seoul branch of the Bank appropriated RMB71 million and RMB18 million respectively in accordance with local regulatory requirements);

(iii) A cash dividend of RMB0.177 per share in respect of the year ended 31 December 2013 based on the number of shares issued as at 31 December 2013 amounting to RMB57,489 million in total (Note IV 10 Dividends).

As at 31 December 2013, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized on the Bank's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

50 COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. LIQUIDITY RATIOS

	At 31 December	
	2013	**2012**
RMB current assets to RMB current liabilities	43.57%	44.75%
Foreign currency current assets to foreign currency current liabilities	114.95%	161.78%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC, and based on the data determined under the PRC GAAP.

2. CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
31 December 2013				
Spot assets	467,323	54,544	27,100	548,967
Spot liabilities	(428,295)	(75,469)	(23,903)	(527,667)
Forward purchases	300,777	45,524	51,068	397,369
Forward sales	(301,283)	(19,278)	(47,915)	(368,476)
Net options position	702	—	(82)	620
Net long position	39,224	5,321	6,268	50,813
Net structural position	**3,081**	**4,082**	**675**	**7,838**

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
31 December 2012				
Spot assets	396,775	179,887	36,592	613,254
Spot liabilities	(362,191)	(177,286)	(30,513)	(569,990)
Forward purchases	201,849	3,002	26,941	231,792
Forward sales	(207,220)	(3,752)	(49,676)	(260,648)
Net options position	(723)	—	81	(642)
Net long/(short) position	28,490	1,851	(16,575)	13,766
Net structural position	**(554)**	**2,464**	**(235)**	**1,675**

3. CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within the Mainland China, and regards all the claims on third parties outside the Mainland China as cross-border claims.

(Amounts in millions of Renminbi, unless otherwise stated)

3. CROSS-BORDER CLAIMS (continued)

Cross-border claims include balances with central banks, deposits and placements with banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

Cross-border claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
31 December 2013				
Asia Pacific excluding the Mainland China	13,501	2,205	48,013	63,719
— of which attributable to Hong Kong	5,715	1,572	41,759	49,046
Europe	12,471	309	2,466	15,246
North and South America	23,890	3,356	5,057	32,303
Africa	61	73	—	134
Total	**49,923**	**5,943**	**55,536**	**111,402**

(Amounts in millions of Renminbi, unless otherwise stated)

4. OVERDUE AND RESCHEDULED ASSETS

(1) Gross amount of overdue loans and advances to customers

	As at 31 December	
	2013	**2012**
Overdue		
below 3 months	34,893	30,693
between 3 and 6 months	6,832	8,841
between 6 and 12 months	15,078	10,451
over 12 months	43,621	37,920
Total	**100,424**	**87,905**
Percentage of overdue loans and advances to customers in total loans		
below 3 months	0.48%	0.48%
between 3 and 6 months	0.09%	0.14%
between 6 and 12 months	0.22%	0.16%
over 12 months	0.60%	0.59%
Total	**1.39%**	**1.37%**

(2) Overdue and rescheduled loans and advances to customers

	As at 31 December	
	2013	**2012**
Total rescheduled loans and advances to customers	10,376	11,592
Including: rescheduled loans and advances to customers overdue for not more than 3 months	7,960	8,974
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.11%	0.14%

(3) Gross amount of overdue placements with banks and other financial institutions

The gross amount of the Group's overdue placements with banks and other financial institutions as at 31 December 2013 and 31 December 2012 were not material.

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