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

2014 Annual Report

Profile

The predecessor of the Bank 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. In July 2010, the Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively, which marked the completion of our transformation into a public shareholding commercial bank.

As 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 an international first-class large-scale 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 and asset management. Our business scope includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2014, the Bank had total assets of RMB15,974,152 million, loans and advances to customers of RMB8,098,067 million and deposits of RMB12,533,397 million. Our capital adequacy ratio was 12.82%. The Bank achieved a net profit of RMB179,510 million in 2014.

The Bank had 23,612 domestic branch outlets at the end of 2014, 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), 353 tier-2 branches (including business departments of branches in provinces), 3,515 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 19,702 other establishments. Our overseas branch outlets consisted of eight overseas branches and two overseas representative offices. The Bank had fourteen major subsidiaries, including nine domestic subsidiaries and five overseas subsidiaries.

In 2014, the Bank was included in the list of Global Systemically Important Banks for the first time. The Bank ranked No. 47 in Fortune's Global 500, and ranked No. 9 in The Banker's "Top 1000 World Banks" list in terms of tier 1 capital. The Bank's issuer credit ratings were assigned A/A-1 by Standard & Poor's; the Bank's 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".

Contents

Definitions

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

1.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
2.	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
3.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 14 August 2014
4.	Basis point(s)	A unit of measure related to the change in an interest rate or exchange rate, which is equivalent to 0.01%
5.	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
6.	CBRC	China Banking Regulatory Commission
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 the People's Republic of 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, which focuses 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.	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
10.	CSRC	China Securities Regulatory Commission

11.	Duration	An approach employed to measure the weighted average term of cash flows of debt securities, which mainly reflects the sensitivity of the value of debt securities to interest rate movements
12.	Economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
13.	Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
14.	H Share(s)	Shares listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
15.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
16.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
17.	Huijin	Central Huijin Investment Ltd.
18.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
19.	MOF	Ministry of Finance of the People's Republic of China
20.	PBOC	The People's Bank of China
21.	Sannong	Agriculture, rural areas and farmers
22.	SSF	National Council for Social Security Fund of the People's Republic of China
23.	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 interest in the process of liquidation. Subordinated bonds fulfilling certain conditions can be classified into Tier 2 capital (or supplementary capital)

Basic Corporate Information

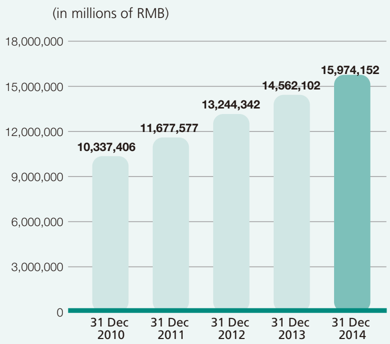
Legal name in Chinese **Abbreviation**	中國農業銀行股份有限公司 中國農業銀行
Legal name in English **Abbreviation**	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	LIU Shiyu
Authorized representative	ZHANG Yun ZHU Gaoming
Board Secretary and Company Secretary	ZHU Gaoming Address: 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	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC
Postal code	100005
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 the annual report are kept	Office of the Board of Directors of the Bank
Listing exchange of A shares **Stock name** **Stock code** **Share registrar**	Shanghai Stock Exchange 農業銀行 601288 China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, 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)
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name	農行優1
Stock code	360001
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Date of registration modification	30 December 2014
Registration authority	State Administration for Industry and Commerce of the 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 of domestic legal advisor	King & Wood Mallesons Lawyers
Address	40/F, Office Tower A, Beijing Fortune Plaza, 7 East 3rd Ring Middle Road, Chaoyang District, Beijing
Name of Hong Kong legal advisor	Freshfields Bruckhaus Deringer
Address	11/F, Two Exchange Square, Central, Hong Kong
Name of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai

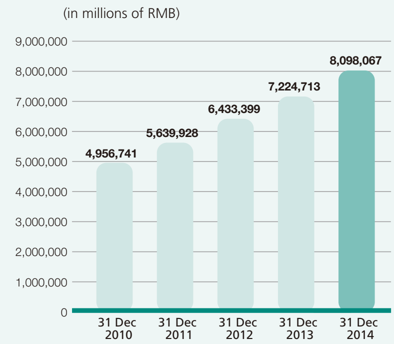
Name of the undersigned Accountant	WU Weijun, JIANG Kun
Name of international auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong
Name of sponsor for continuous supervision	CITIC Securities Co., Ltd.
Address	Times Square Excellence II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province
Names of the undersigned representatives of the sponsor	ZHOU Yu, SHAO Xianghui
Duration of continuous supervision	From 14 November 2014 to 31 December 2016

Financial Highlights

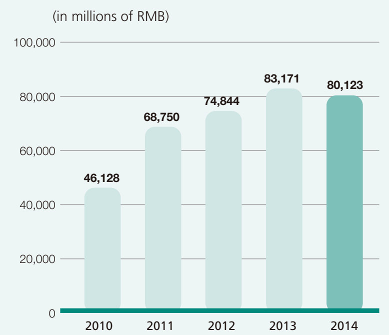
Total assets



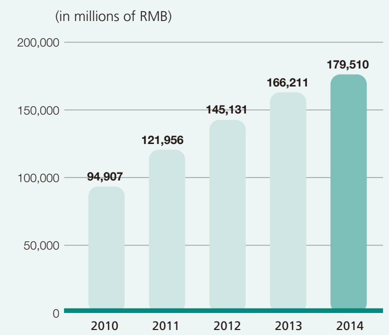
Total loans and advances to customers



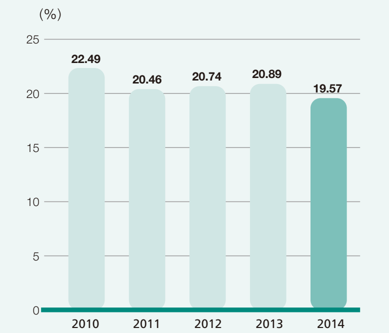
Net fee and commission income



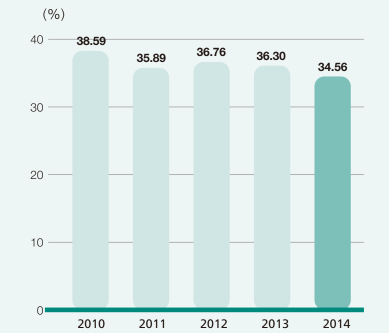
Net profit



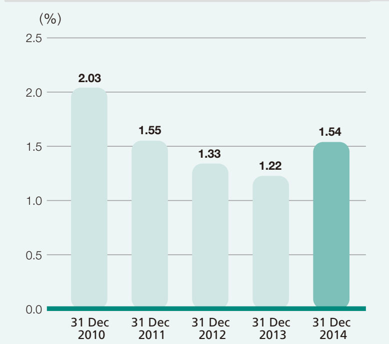
Return on weighted average net assets



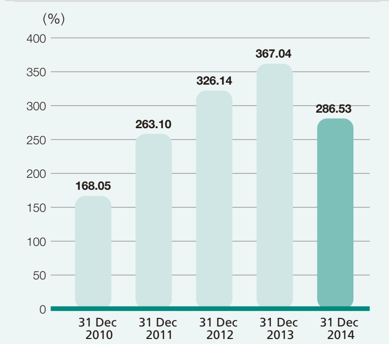
Cost-to-income ratio



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, unless otherwise stated)

Financial Data

	2014	2013	2012	2011	2010
At the end of the reporting period (in millions of RMB)					
Total assets	15,974,152	14,562,102	13,244,342	11,677,577	10,337,406
Total loans and advances to customers	8,098,067	7,224,713	6,433,399	5,639,928	4,956,741
Corporate loans	5,147,410	4,728,857	4,427,989	3,989,570	3,595,440
Discounted bills	157,349	92,823	107,601	102,545	141,123
Retail loans	2,396,639	2,093,305	1,707,323	1,430,520	1,144,473
Overseas and others	396,669	309,728	190,486	117,293	75,705
Allowance for impairment losses on loans	358,071	322,191	279,988	229,842	168,733
Loans and advances to customers, net	7,739,996	6,902,522	6,153,411	5,410,086	4,788,008
Investment in securities and other financial assets, net	3,575,630	3,220,098	2,856,148	2,628,052	2,527,431
Cash and balances with central banks	2,743,065	2,603,802	2,613,111	2,487,082	2,082,332
Deposits and placements with and loans to banks and other financial institutions	979,867	706,333	485,613	344,557	173,268
Financial assets held under resale agreements	509,418	737,052	814,620	529,440	525,331
Total liabilities	14,941,533	13,717,565	12,492,988	11,027,789	9,795,170
Deposits from customers	12,533,397	11,811,411	10,862,935	9,622,026	8,887,905
Corporate deposits	4,437,283	4,311,407	3,980,483	3,643,562	3,532,975
Retail deposits	7,422,318	6,923,647	6,421,876	5,626,077	5,065,195
Overseas and others	673,796	576,357	460,576	352,387	289,735
Deposits and placements from banks and other financial institutions	1,056,064	903,717	934,073	724,236	582,952
Financial assets sold under repurchase agreements	131,021	26,787	7,631	92,079	37,467
Debt securities issued	325,167	266,261	192,639	119,390	62,344
Equity attributable to equity holders of the Bank	1,031,066	843,108	749,815	649,601	542,071
Net capital[1]	1,391,559	1,074,967	910,048	763,010	624,124
Common Equity Tier 1 (CET1) capital, net[1]	986,206	838,473	N/A	N/A	N/A
Additional Tier 1 capital, net[1]	39,946	1	N/A	N/A	N/A
Tier 2 capital, net[1]	365,407	236,493	N/A	N/A	N/A
Risk-weighted assets[1]	10,852,619	9,065,631	7,216,178	6,388,375	5,383,694

	2014	2013	2012	2011	2010
Operating results for the year					
(in millions of RMB)					
Operating income	524,126	465,771	424,964	379,756	292,253
Net interest income	429,891	376,202	341,879	307,199	242,152
Net fee and commission income	80,123	83,171	74,844	68,750	46,128
Operating expenses	223,898	198,607	182,802	157,330	128,107
Impairment losses on assets	67,971	52,990	54,235	64,225	43,412
Total profit	232,257	214,174	187,927	158,201	120,734
Net profit	179,510	166,211	145,131	121,956	94,907
Net profit attributable to equity holders of the Bank	179,461	166,315	145,094	121,927	94,873
Net cash generated from/(used in) operating activities	34,615	32,879	319,058	223,004	(89,878)

Financial Indicators

	2014	2013	2012	2011	2010
Profitability (%)					
Return on average total assets[2]	1.18	1.20	1.16	1.11	0.99
Return on weighted average net assets[3]	19.57	20.89	20.74	20.46	22.49
Net interest margin[4]	2.92	2.79	2.81	2.85	2.57
Net interest spread[5]	2.76	2.65	2.67	2.73	2.50
Return on risk-weighted assets[1,6]	1.65	1.83	2.01	1.91	1.76
Net fee and commission income to operating income	15.29	17.86	17.61	18.10	15.78
Cost-to-income ratio[7]	34.56	36.30	36.76	35.89	38.59
Data per share (RMB Yuan)					
Basic earnings per share[3]	0.55	0.51	0.45	0.38	0.33
Diluted earnings per share[3]	0.55	0.51	0.45	0.38	0.33
Net cash per share generated from/(used in) operating activities	0.11	0.10	0.98	0.69	(0.28)

	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Asset Quality (%)					
Non-performing loan ratio[8]	1.54	1.22	1.33	1.55	2.03
Allowance to non-performing loans[9]	286.53	367.04	326.14	263.10	168.05
Allowance to total loans[10]	4.42	4.46	4.35	4.08	3.40
Capital adequacy (%)					
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	9.09	9.25	N/A	N/A	N/A
Tier 1 capital adequacy ratio[1]	9.46	9.25	N/A	N/A	N/A
Capital adequacy ratio[1]	12.82	11.86	12.61	11.94	11.59
Risk-weighted assets to total assets ratio[1]	67.94	62.25	54.48	54.71	52.08
Total equity to total assets ratio	6.46	5.80	5.67	5.56	5.25
Data per share (RMB Yuan)					
Net assets per share	3.05	2.60	2.31	2.00	1.67

Notes:
1. *Figures of 31 December 2014 and 31 December 2013 were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. Figures of 31 December 2012, 31 December 2011 and 31 December 2010 were calculated in accordance with the Rules on Capital Adequacy of Commercial Banks and other relevent regulations. At 31 December 2014, excess loan loss provisions calculated in accordance with the Capital Rules for Commercial Banks (Provisional) were qualified as Tier 2 capital. That is, during the parallel run period, while calculating the credit risk-weighted asset by the Internal Ratings-Based (IRB) approach in the full year, the amount of excess loans loss provisions beyond the provision coverage ratio cap of 150% were all qualified as Tier 2 capital. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multiplied by 9.52 and recorded in risk-weighted assets.*
2. *Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.*
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.*
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 balance of non-performing loans by total 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 loans and advances to customers.*

Other Financial Indicators

		Regulatory Standard	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Liquidity ratio[1] (%)	RMB	≥25	44.02	43.57	44.75	40.18	38.36
	Foreign Currency	≥25	72.49	114.95	161.78	154.66	127.03
Loan-to-deposit ratio[2] (%)	RMB and Foreign Currency	≤75	64.61	61.17	59.22	58.61	55.77
Percentage of loans to the largest single customer[3] (%)		≤10	5.23	3.33	3.59	2.80	3.18
Percentage of loans to top ten customers[4] (%)			14.43	13.22	15.76	16.31	18.45
Loan migration ratio[5] (%)	Normal		3.60	2.53	2.49	2.26	3.10
	Special mention		4.99	4.36	4.65	2.61	4.15
	Substandard		42.53	37.24	21.79	14.82	24.34
	Doubtful		10.10	8.62	4.96	5.41	5.26

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.*
2. *Calculated by dividing total loans and advances to customers by deposits from customers. The average daily loan-to-deposit ratio of the Bank in 2014 was 64.75%. As of 31 December 2014, loan-to-deposit ratio of RMB was 57.40% calculated in accordance with the relevant regulations of the CBRC.*
3. *Calculated by dividing loans to the largest single customer by net capital.*
4. *Calculated by dividing loans to top ten customers by net capital.*
5. *Calculated in accordance with the relevant regulations of the CBRC by using domestic data.*

Annual Stock Prices

	Opening price of the first trading day of the year	Highest price during the year	Lowest price during the year	Closing price of the last trading day of the year	Change rate
A Shares stock	RMB2.48	RMB3.77	RMB2.27	RMB3.71	49.60%
H Shares stock	HKD3.82	HKD3.95	HKD3.04	HKD3.92	2.62%

Note: All stock prices are no adjustment prices.

Honours and Awards

Best Managed Banking and Finance Institution in Asia

Best Corporate Governance — Platinum Award

Best Practice Award in IT Management for 2014

Second Prize of PBOC Banking Technology Development for 2013

Outstanding Bond Dealer for 2014

First Prize for Outstanding Financial Institutions Member for 2014 Market
Outstanding Contribution Award

Best Integrated Market Maker
Best Non-US Currencies Market Making Award
Best Foreign Currencies Market Making Award

Best Bank in Innovation of Trade Finance Products

Best Online Bank

人民日報 REN MIN RI BAO	First Prize of National Youth Financial Innovation and Benefit Contest for "Rural Land Contracting Right Mortgage Loan" product
思想创造价值 華夏時報 CHINA TIMES	Shield Award for Investor Relations of Chinese Listed Companies for 2014
财经网 CAIJING.COM.CN	Best Bank in Internet Finance Innovation for Retail Loans
新华网 NEWS	Best Electronic Bank
News Research Institute of Xinhua News Agency, Xinhua Daily Telegraph Agency, Economic Information Agency and Cankaoxiaoxi Agency	Most Credible Chinese Enterprises in Social Responsibilities of for 2014
21世纪经济报道 21st CENTURY BUSINESS HERALD	Best Bank in Profit Making for 2014
半月谈 CHINA COMMENT 时事政策顾问 学习生活益友	Most Reliable Banking Institution
金融界 JRJ.COM	Best Electronic Bank Best Customer Experience Best Customer Satisfaction
上海證券報 SHANGHAI SECURITIES NEWS	Golden Financing — Most Promising Private Bank for 2013 Best Technology Improvement
ChinaHR.com 中华英才网	"Top 50 Employers for Chinese College Students" and "Top 10 Best Nationwide Employers in Banking Industry" for the Eleventh Best Employers for Chinese College Students Award

LIU Shiyu
Chairman

In 2014, to address the complex and challenging domestic and overseas economic and financial environment, we adhered to the fundamentals of making progress through steady development. Focusing on serving Sannong and the real economy, deepening reforms and strengthening management, we successfully completed the tasks assigned by the Board of Directors. We recorded a net profit of RMB179,510 million for 2014, representing an increase of 8.0% compared to the previous year. Our return on average total assets and return on weighted average net assets were 1.18% and 19.57%, respectively. The allowance to non-performing loans and the allowance to total loans were 286.53% and 4.42%, respectively. In the reporting period, we pioneered the issuance of preference shares of RMB40 billion in the domestic capital market and successfully completed the issuance of Tier-2 capital bonds with write-down features of RMB30 billion. Our capital adequacy ratio reached 12.82% at the end of the year. On behalf of the Board of Directors, I hereby express heartfelt gratitude for the support of our shareholders, customers and communities, and the dedication and contribution of our employees, in the achievement of these results.

In the beginning of 2015, Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng retired as our Directors due to expiry of their terms. Mr. JIANG Chaoliang also resigned as our Chairman due to other work commitments. On behalf of all the members of the Board of Directors, I would like to express my sincere gratitude for their hard work and contribution, and to welcome Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui, Mr. XU Jiandong and Ms. XIAO Xing to the Board of Directors.

The development of China's economy has entered a "new normal" with the following three features: a shift from its previous high speed growth to medium-to-high speed growth, improvement and upgrade of economic structure, and innovation as a stronger driver than input and investment. Meanwhile, the development of China's economy also faces multiple difficulties and challenges. The recovery of the global economy is hesitant and weak, and there are a number of uncertain and unstable factors in the international financial market which will bring new impacts and challenges to the growth model and risk management of China's banking industry.

For China, 2015 is an important year to comprehensively deepen reforms and is the first year to comprehensively promote governing the country according to law. It also marks the end of the 12th Five-year Plan of China and the end of our development plan for 2013–2015. We will thoroughly understand, proactively adapt to, and actively serve the "new normal" of economic development. We will adhere to the fundamentals of making progress through steady development, the principle of prudent operation and the concept of governing our Bank in strict compliance with the law. We will adhere to serving Sannong and the real economy, continue to deepen reforms and enhance our risk management and market competitiveness, so as to accelerate the development of our Bank into an international first-class large-scale commercial bank.

Adhere to our operating strategy of serving Sannong. We will grasp the essence of Sannong in the new economic and financial environment, and focus on serving the agricultural modernization and new-type urbanization. Firstly, we will support the enterprises leading agricultural modernization and new agricultural business entities to enhance our services to large-scale customers in the County Areas. Secondly, we will support the construction of high-standard farmlands and national key agricultural irrigation projects in order to strengthen our service capability for infrastructure construction in the County Areas. Thirdly, we will support new-type urbanization by exploring new-type urbanization service models with a combination of financing and introduction of talent. Fourthly, we will provide inclusive financial services with new technology to constantly enhance the efficiency and effectiveness of our banking services in the County Areas.

Insist on enhancing our capability to serve the real economy. Capitalizing the unique advantages of business synergies between urban areas and the County Areas, we will integrate our financial services and business operations into the national strategy of the synchronous development of industrialization, informatization, urbanization and agricultural modernization, so as to realize synchronous development, transformation and prosperity along with China's economy. Firstly, we will focus on the key function of investment and further enhance the supporting function of our corporate banking business. We will strengthen our capability to serve the significant development strategies of China, such as "Four Key Regions" (developing the western region, revitalizing the north-east region, boosting the rise of the central region and supporting the leading position of the eastern region), "Three Economic Pillars" (developing the Silk Road Economic Belt and the 21st Century Maritime Silk Road, the Beijing-Tianjin-Hebei Region and the Yangtze Economic Belt) and the expansion of free trade zones. We will implement innovative service models in response to new industries and new business formats, and enhance the support to the rebuilding of shanty areas, the construction of low-income housing and the development of small and micro enterprises. Secondly, we will focus on the basic function of consumption and further enhance the strategic importance of our retail banking business. Capturing the new demand arising from increasing household consumption and the improvement of people's livelihood, we will accelerate the innovation of channels and products and strengthen our capability to serve retail customers in order to further enhance the strategic value of our retail banking business. Thirdly, we will focus on the support function of exports and improve cross-border financial services. Seizing the opportunities brought by the national strategy of "One Belt and One Road" (the Silk Road Economic Belt and the 21st Century Maritime Silk Road), we will accelerate overseas expansion, strengthen our financial services for the implementation of the "Go Out" strategy in the agriculture sector and develop key businesses such as cross-border RMB business and trade financing. Fourthly, we will focus on industrial restructuring and financial market development, compete for the leading position in emerging businesses, and enhance our professional service capability in investment finance, trading finance, investment banking and asset management, so as to explore diversified and multilevel cross-market businesses. We will also develop an internet finance business with our own features.

Operate in strict compliance with the law and adhere to a strict approach to risk limitation. We will deal with the challenging environment of risk exposure and manage our Bank in strict compliance with the law in order to prevent risks and manage the cases in a cautious way. On one hand, we will strengthen risk management throughout our entire credit process and carry out risk inspection and solution within key sectors. Meanwhile, we will take the initiative to solve risks at a preliminary stage, so as to promptly eliminate risks and control asset quality. On the other hand, we will continue to strengthen our internal controls and case prevention. We will focus on our basic management and foundation-level management and firmly correct behaviour violating applicable disciplines and regulations through policy restrictions, procedure inspection, IT control and technology monitoring in order to provide security to the healthy development of all the businesses of our Bank.

Enhance the corporate governance and refine the operation mechanism. The Board of Directors will further enhance its decision-making capability in key areas such as development strategy and capital management. The Board of Supervisors will further strengthen its due diligence supervision, finance and internal control. The senior management will further enhance our capability of strategy implementation and internal controls. We will deepen reforms of performance assessment, resource allocation and organization structure, seek growth power from reforms and obtain systemic benefits from mechanism improvement.

Reward shall not be the property of just any one individual, and success cannot be achieved without teamwork. To pursue a better future, we will cooperate with all of our shareholders, customers, employees and communities and share the fruitful results of development.

Chairman: LIU Shiyu
24 March 2015

Zhang Yun
President

In 2014, in order to address the complicated economic and financial environment, we adhered to the aim of serving Sannong and the real economy. We strived to make progress through steady development and took active measures to adapt to changes. As a result, we recorded stable growth in our operating results, fulfilled the operating targets of the Board of Directors and satisfied all major regulatory indicators.

Maintained market position and achieved steady growth in value creation capability. In order to address market changes, we promptly fine-tuned and pre-emptively adjusted our policies and optimized our resource allocation. While consolidating our strengths in the County Area Banking Business and retail banking business, we further explored the growth potential of our corporate business, improved the competitiveness of our branches in urban areas and promoted stable and coordinated development of our businesses. At the end of 2014, our deposits increased by RMB721,986 million and we maintained our leading position in the increase of Renminbi deposits and retail deposits in the banking industry. Our loans increased by RMB873,354 million, and the growth rate of our Renminbi loans and the increase amount and growth rate of our corporate loans continued to outperform our comparable peers. Our total assets amounted to RMB16.0 trillion, representing an increase of 9.7% compared to the previous year. We made efforts to enhance our economic capital management and to seek higher returns on capital, and improved our management of net interest margins and cost to improve growth potential and efficiency. In 2014, our net interest margin was 2.92%, representing an increase of 13 basis points compared to the previous year. The cost-to-income ratio was 34.56%, representing a decrease of 1.74 percentage points compared to the previous year. Our net profit amounted to RMB179,510 million, representing an increase of 8.0% compared to the previous year.

Adjusted and refined credit structure and enhanced financial service capability. We focused on the demands of the real economy and the changing direction of the macro-economic control policies of China, and identified key financial service areas with growth potential. We implemented different credit policies of maintaining, entering, controlling and withdrawing according to different customers to improve credit operation efficiency. Committed to our key strategies of serving Sannong and the County Areas, we strengthened the innovation of our service models, secured sufficient resources and supported entities for new-type agricultural business, enterprises leading agricultural modernization and new-type urbanization initiatives. As a result, loans for the County Areas increased by RMB303,612 million. In response to the government projects for maintaining steady growth and benefiting people's livelihood, we focused on supporting infrastructure, energy, transportation and the rebuilding of shanty areas, and loans for key projects increased by RMB136,000 million. We provided greater support to new industries such as advanced manufacturing, modern services and information technology, and loans to strategically emerging industries increased by RMB129,100 million. We continued to improve our financing services to small and micro enterprises and consumers. Loans to small and micro enterprises increased by RMB161,619 million, with a growth rate higher than that of the total loans of our Bank for the past six consecutive years. Retail loans increased by RMB303,334 million, of which residential mortgage loans accounted for 85.3% of such increase. In addition to promoting the quality of newly-added loans, we also made good use of stock loans. Loans to financing vehicles and loans to industries with high energy consumption, high pollution or overcapacity decreased by RMB15,000 million and RMB10,300 million, respectively. Loans to customers with potential risks were reduced by RMB67,100 million. By applying various financing tools such as issuance of bonds and wealth management products, RMB318,800 million was financed to enterprises to meet the diversified financing needs of the real economy.

Accelerated business innovation and diversified income sources. We capitalized on the new opportunities arising from the "new normal" economy, accelerated the innovation of products and services and fostered new growth points. With enhanced reform and innovation of our asset management and financial market businesses, the balance of our wealth management business amounted to more than RMB1 trillion. We achieved further development in our financial market business and our position as a market-maker was consolidated. The yield on non-restructuring-related debt securities investments maintained a leading position among our peers. We accelerated innovation and diversified the functions and products of our mobile banking and e-commerce banking businesses. The electronic financial transactions accounted for 89.6%. We promoted innovation and application of internet finance and explored businesses such as digital online loans. Our cross-border financial services were further enhanced, with the number of our overseas institutions amounting to 15, and the cross-border RMB-denominated settlements increased significantly compared to the previous year. With the steady development of our subsidiaries in investment banking, leasing and insurance, their net profit increased by 28.7%, reflecting further synergies between domestic businesses and overseas businesses as well as among our Bank and its subsidiaries.

Reinforced risk management and adhered to a strict approach to risk limitation. In order to address increasing risk pressures, we adhered to our principle of steady development, optimized our comprehensive risk management system to cover all risks and improved our risk management structure to cover all related operating units. We strictly specified management responsibilities for non-performing loans and maintained highly intensive risk prevention and control. We enhanced risk prediction and active risk control, refined our credit limit management, industry-specific credit policies and customer list-based management, and implemented more effective risk prevention and control focusing on key areas, industries, businesses and customers. We strengthened our collection and disposal of non-performing loans primarily through independent debt collection, but also adopted write-offs and market-oriented disposals. As a result, our asset quality remained overall stable in the reporting period. The allowance to non-performing loans and the allowance to total loans were 286.53% and 4.42% at the end of 2014, respectively, reflecting our strong risk resistance capability.

Strengthened foundation-level and basic management and improved operating efficiency. With a focus on the weakness and bottleneck problems in management, we improved the rationality, comprehensiveness and informationalization of our management. We completed the reforms of "centralized back office operation, centralized authorization and centralized monitoring systems" on a provincial level and significantly enhanced our operating efficiency, case prevention and control capabilities. With the successful launch of the third phase of the new generation of core banking system (BoEing) as well as the accelerated development of the big data platform, our data management and application were improved. As we further simplified procedures for credit, operation, product research and development and centralized procurement, we were able to respond to market changes more promptly. We strengthened the integration of our business systems and simplified counter business procedures to improve customer experience.

The "new normal" economy has brought both opportunities and challenges to the development of the banking industry. We will capitalize on the economic and financial development trend as well as the development opportunities arising from economic restructuring, industrial structure upgrade, new-type urbanization and the development strategy of "One Belt and One Road", and focus on enhancing our advantages, improving our weaknesses, strengthening our foundation and increasing our vitality, so as to provide services in line with the "new normal" economy. We will adhere to proactive, rational, innovative and steady development, put efforts into improving quality and efficiency, and consolidate and enhance our market advantages of Sannong and the County Area Banking Business. We will continue the transformation of our retail and corporate banking businesses to accelerate the conversion of growth drivers. By comprehensively enhancing the soundness, coordination and sustainability of our development, we will promote the construction of our Bank as an international first-class large-scale commercial bank.

President: ZHANG Yun
24 March 2015

Che Yingxin

Chairman of the Board of Supervisors

Discussion and Analysis

Environment and Prospects

According to the International Monetary Fund, the growth rate of the global economy in 2014 is estimated to be 3.3%, which is 0.1 percentage point higher than that of the previous year. The U.S. economy experienced a faster pace of recovery, while peripheral economies in the Eurozone suffered from a lack of growth momentum, and emerging economies continued to experience a lower growth rate. Against the background of imbalanced economic recovery, global monetary policies showed divergence. While the monetary policies of the United Kingdom and the United States returned to normal, the Eurozone further loosened its monetary policies. The Dow Jones Industrial Average Index, EURO STOXX50 Index and Nikkei 225 Index increased by 7.5%, 2.9% and 7.1%, respectively over the year. The USD Index remained stable in the first half of 2014 and grew rapidly in the second half, recording an increase of 12.6% over the year. Commodity prices trended downward with fluctuation, and crude oil price dropped significantly. The CRB Spot Market Price Index decreased by 4.1% over the year.

The Chinese economy remained stable, with a slight decrease in growth rate and further optimization of the structure. In terms of growth rate, GDP increased by 7.4% in 2014, representing a decrease of 0.3 percentage point compared to the previous year. Total investment in fixed assets, total sales of consumer goods and net export recorded growth of 15.7%, 12% and 6.1%, respectively, representing a decrease of 3.9 percentage points, 1.1 percentage points and 1.7 percentage points, respectively, compared to the previous year. Structurally, the proportion of the economy represented by the service industry continued to increase. The main driver of the Chinese economy changed more rapidly from the manufacturing industry to the service industry. Traditional industries and heavy chemical industries faced various difficulties, while new industries, new technologies and new business formats were constantly emerging. With increasing productivity and decreasing energy consumption per GDP unit, the quality of economic development was improved. In addition, inflation of consumer price in 2014 was relatively low. CPI increased by 2% compared to the previous year and PPI recorded a negative growth of 1.9%. The employed urban population increased by 13.22 million in 2014, which represented a higher growth than the previous year.

In 2014, the PRC government maintained a prudent approach of steady development, continued to implement prudent monetary policies and aggressive fiscal policies, replenished and improved monetary policy tools and fine-tuned and pre-emptively adjusted specific areas, as well as promoted financial market reform in an orderly manner. The cap for interest rates on Renminbi deposits was further relaxed and inter-bank certificates of deposit maintained a steady growth. The range of the daily trading price of Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market was widened. The pilot operations of Shanghai-Hong Kong Stock Connect commenced. In 2014, the growth rate of M2 in China amounted to 12.2%, and total social financing amounted to RMB16.5 trillion.

According to the forecast of the International Monetary Fund, the growth rate of the global economy in 2015 will be increased to 3.5% from 3.3% in 2014. It is expected that the economic growth of the United States will continue to improve, driven by steady improvement in the employment market and recovery of the real estate market. On the other hand, the European and Japanese economies are expected to achieve slight growth only. Among the emerging economies, resource-based countries will continue to suffer from dropping commodity prices, and some countries are in the dilemma of interest rate downwards adjustment due to economic downturn and interest rate upwards adjustment due to capital outflow. In the financial market, the USD Index will continue to rise, driven by the strong recovery of the U.S. economy and the easing monetary policies of Eurozone. As global demand remains weak, commodity prices in 2015 are expected to stay at a low level.

Looking forward to 2015, in the "new normal" economic environment, despite the slight slowdown of GDP growth and increasing deflationary pressures, the structure of economic growth momentum of China will be more balanced. As the investment in traditional industries is relatively saturated, and fixed asset investment growth will further decrease, GDP growth will be less driven by capital contributions. Taking into account factors including changes in household income, adjustment of consumption tax and deferred consumption due to low inflation, consumption is expected to maintain its stable growth. Affected by the appreciation of the U.S. dollar and lower elasticity of demand for imports from China due to the economic growth of the United States and Europe, there will be limited growth potential for export demand. Nonetheless, the trade surplus and the contribution of net export to GDP will increase. In addition, in 2015, taking into account the limited impact of tail-raising factors, excessive production capacity and decreasing international commodity prices, it is expected that CPI will experience lower growth compared to 2014, and PPI will maintain in negative growth.

In 2015, China's macro-economic policies will explore the balance between stabilizing growth and economic restructuring and will be more focused on deepening reforms and streamlining administration as well as delegating powers to stimulate market vitality. Fiscal policies will be more intensive and the government will increase leverage, which will result in a higher deficit rate in general. Structural tax reduction policies will be improved, and investment and the financing mechanism of the government will continue to focus on innovation. China will maintain prudent monetary policies, which will be more flexible, timely and specific, in order to maintain reasonable and sufficient liquidity in the market.

The "new-normal" economic environment has brought new opportunities and challenges to the reform and development of the Bank. In 2015, the Bank will actively adapt to and serve the "new-normal" economy, thereby accelerating the reform and development of the Bank under the background of the "new-normal" economy in order to make a greater contribution to the sustainable development of the economy and society.

Firstly, the Bank will proactively adapt to the "new-normal" economy. The Bank will study the changes under the "new-normal" economic environment to closely follow the new trend of economic growth adjustment, grasp the new opportunities brought by the adjustment of industrial structure and cope with the new challenges arising from increasing risks and pressures. The Bank aims to enhance its market competitive strengths with consistent strategies and strengthened development confidence.

Secondly, the Bank will proactively serve the "new-normal" economy. In order to satisfy the new demand under the "new-normal" economy, the Bank will fully leverage on its unique advantage of synergies between the urban and County Areas. Focusing on the national strategy of the synchronous development of industrialization, informatization, urbanization and agricultural modernization, the Bank will serve agricultural modernization and new-type urbanization, the regional development strategies of the PRC government, the strategic economic restructuring, optimization and upgrade of industrial structure, and the establishment of "One Belt and One Road" and free trade zones, through which we will realize our business transformation and enhancement of quality and efficiency.

Thirdly, the Bank will accelerate its reform and development under the background of the "new-normal" economy. To cope with the challenges brought by the "new-normal" economy, the Bank will regard reform and innovation as the essence of changing the development model to enhance its operation vitality and strengthening the basics of management as the foundation of sustainable development to ensure prudent operations.

Financial Statement Analysis

Income Statement Analysis

In 2014, we achieved a net profit of RMB179,510 million, representing an increase of RMB13,299 million or 8.0% over the previous year. This was primarily due to the increase in net interest income and the decrease in cost-to-income ratio.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Net interest income	429,891	376,202	53,689	14.3
Net fee and commission income	80,123	83,171	(3,048)	-3.7
Other non-interest income	14,112	6,398	7,714	120.6
Operating income	**524,126**	**465,771**	**58,355**	**12.5**
Less: operating expenses	223,898	198,607	25,291	12.7
Impairment losses on assets	67,971	52,990	14,981	28.3
Profit before tax	232,257	214,174	18,083	8.4
Less: Income tax expense	52,747	47,963	4,784	10.0
Net Profit	**179,510**	**166,211**	**13,299**	**8.0**
Attributable to:				
Equity holders of the Bank	179,461	166,315	13,146	7.9
Non-controlling interests	49	(104)	153	—

Net Interest Income

Net interest income is the largest component of our operating income. In 2014, net interest income was RMB429,891 million, representing an increase of RMB53,689 million compared to the previous year, and accounting for 82.0% of our total operating income. The changes in volume and interest rates resulted in increases of RMB39,044 million and RMB14,645 million in net interest income, respectively.

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

In millions of RMB, except for percentages

Item	2014			2013		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	7,768,137	470,829	6.06	6,910,717	414,270	5.99
Debt securities investments[1]	3,129,864	125,161	4.00	2,907,104	108,609	3.74
Non-restructuring-related debt securities	2,674,907	110,961	4.15	2,421,297	93,377	3.86
Restructuring-related debt securities[2]	454,957	14,200	3.12	485,807	15,232	3.14
Balances with central banks	2,508,561	40,018	1.60	2,362,857	37,517	1.59
Amounts due from banks and other financial institutions[3]	1,290,817	63,281	4.90	1,283,012	52,988	4.13
Total interest-earning assets	**14,697,379**	**699,289**	**4.76**	**13,463,690**	**613,384**	**4.56**
Allowance for impairment losses[4]	(342,809)			(302,266)		
Non-interest-earning assets[4]	864,443			686,625		
Total assets	15,219,013			13,848,049		
Liabilities						
Deposits from customers	11,997,284	221,706	1.85	11,170,828	194,903	1.74
Amounts due to banks and other financial institutions[5]	1,185,258	36,510	3.08	997,433	33,784	3.39
Other interest-bearing liabilities[6]	321,079	11,182	3.48	221,108	8,495	3.84
Total interest-bearing liabilities	**13,503,621**	**269,398**	**2.00**	**12,389,369**	**237,182**	**1.91**
Non-interest-bearing liabilities[4]	902,096			727,613		
Total liabilities	14,405,717			13,116,982		
Net interest income		429,891			376,202	
Net interest spread			**2.76**			**2.65**
Net interest margin			**2.92**			**2.79**

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 deposits and placements with and loans to banks & other financial institutions, and financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses represent 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 deposits and placements from banks & other financial institutions and financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities are principally comprised of debt securities issued.*

The table below presents 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	51,968	4,591	56,559
Debt securities investments	8,908	7,644	16,552
Balances with central banks	2,324	177	2,501
Amounts due from banks and other financial institutions	383	9,910	10,293
Changes in interest income	63,583	22,322	85,905
Liabilities			
Deposits from customers	15,273	11,530	26,803
Amounts due to banks and other financial institutions	5,786	(3,060)	2,726
Other interest-bearing liabilities	3,482	(795)	2,687
Changes in interest expense	24,541	7,675	32,216
Changes in net interest income	**39,042**	**14,647**	**53,689**

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 2014, the net interest margin was 2.92% and the net interest spread was 2.76%, increased by 13 and 11 basis points compared to the previous year, respectively. The increases in net interest margin and net interest spread were primarily because: (1) the Bank effectively grasped investment opportunities and increased investment when favourable opportunities arised from the market, which resulted in a significant increase in the yield of investment business; (2) the average yield of loans increased as a result of the further optimized loan structure and strengthened loan pricing management; (3) leveraging on our advantage of liability business, the Bank tightened the management of liabilities with high cost to control the capital costs effectively.

Interest Income

We recorded interest income of RMB699,289 million in 2014, representing an increase of RMB85,905 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 RMB1,233,689 million and the increase of 20 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 RMB56,559 million or 13.7% over the previous year to RMB470,829 million. The increase was primarily due to growth of RMB857,420 million in the average balances and a rise of 7 basis points in the average yield.

The table below presents the average balances, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

	2014			2013		
Item	**Average balance**	**Interest income**	**Average yield (%)**	**Average balance**	**Interest income**	**Average yield (%)**
Corporate loans	5,001,898	314,983	6.30	4,604,132	286,472	6.22
Short-term corporate loans	2,213,212	135,746	6.13	2,112,307	127,588	6.04
Medium- and long-term corporate loans	2,788,686	179,237	6.43	2,491,825	158,884	6.38
Discounted bills	100,021	5,786	5.78	128,605	7,077	5.50
Retail loans	2,281,146	138,398	6.07	1,920,670	114,210	5.95
Overseas and others	385,072	11,662	3.03	257,310	6,511	2.53
Total loans and advances to customers	**7,768,137**	**470,829**	**6.06**	**6,910,717**	**414,270**	**5.99**

Interest income from corporate loans increased by RMB28,511 million, or 10.0%, to RMB314,983 million compared to the previous year. The increase was primarily due to growth of RMB397,766 million in the average balances and a rise of 8 basis points in the average yield, which primarily related to the Bank's further refining its loan portfolio structure and strengthening its management of loan pricing.

Interest income from discounted bills decreased by RMB1,291 million, or 18.2%, to RMB5,786 million compared to the previous year. The decrease was primarily due to the decrease of RMB28,584 million in the average balances, partially offset by the increase of 28 basis points in the average yield.

Interest income from retail loans increased by RMB24,188 million, or 21.2%, to RMB138,398 million compared to the previous year. The increase was primarily due to growth of RMB360,476 million in the average balances and a rise of 12 basis points in the average yield. The rise in the average yield primarily related to the Bank's strengthening the management of loan pricing, which resulted in the increase in the interest rate of new retail loans.

Interest income from overseas and other loans increased by RMB5,151 million, or 79.1%, to RMB11,662 million compared to the previous year. The increase was primarily due to growth of RMB127,762 million in the average balances and a rise of 50 basis points in the average yield. The growth of average balances was primarily due to the rapid growth in loans of overseas branches.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In 2014, interest income from debt securities investments increased by RMB16,552 million from the previous year to RMB125,161 million. The increase was primarily due to growth of RMB222,760 million in the average balances and a rise of 26 basis points in the average yield. The increase in the average yield was primarily because the Bank increased the investment when favourable opportunities arised from the debt securities market, and further refined the investment structure. Meanwhile, the yield of non-restructuring-related debt securities was improved compared to the previous year.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB2,501 million to RMB40,018 million compared to the previous year. The increase was primarily due to the increase of RMB145,704 million in the average balances.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB10,293 million to RMB63,281 million compared to the previous year. The increase was primarily due to a rise of 77 basis points in the average yield and growth of RMB7,805 million in the average balances. The rise in the average yield was primarily related to the Bank's exploiting favourable opportunities arising from the interest rates market, enhancing the overall yield of amounts due from banks and other institutions.

Interest Expense

Interest expense increased by RMB32,216 million to RMB269,398 million compared to the previous year. The increase was primarily due to growth of RMB1,114,252 million in the average balances and a rise of 9 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB26,803 million to RMB221,706 million compared to the previous year. The increase was primarily due to growth of RMB826,456 million in the average balances and a rise of 11 basis points in the average cost. The rise in the average cost was primarily related to the Bank's raising the upper end of the deposit interest rate range, along with an extension of the average term, consistent with its development strategy for deposit-taking activities and market competitions.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

	2014			2013		
Item	**Average balance**	**Interest expense**	**Average cost (%)**	**Average balance**	**Interest expense**	**Average cost (%)**
Corporate deposits						
Time	1,783,471	60,780	3.41	1,398,060	48,211	3.45
Demand	2,922,036	21,084	0.72	3,025,141	22,511	0.74
Sub-Total	4,705,507	81,864	1.74	4,423,201	70,722	1.60
Retail deposits						
Time	3,822,982	127,366	3.33	3,441,837	112,388	3.27
Demand	3,468,795	12,476	0.36	3,305,790	11,793	0.36
Sub-Total	7,291,777	139,842	1.92	6,747,627	124,181	1.84
Total deposits from customers	**11,997,284**	**221,706**	**1.85**	**11,170,828**	**194,903**	**1.74**

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB2,726 million to RMB36,510 million compared to the previous year. The increase was primarily due to growth of RMB187,825 million in the average balances, partially offset by a decline of 31 basis points in the average cost. The decline in average cost was primarily related to the Bank's restricting the size of deposits from banks and other financial institutions with high cost, which effectively lowered the cost of amounts due to banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB2,687 million to RMB11,182 million compared to the previous year. The increase was primarily due to growth in the average balances by RMB99,971 million, partially offset by a decline of 36 basis points in the average cost. The growth in average balances was primarily due to the issuance of medium-term notes, certificates of deposit and commercial papers by overseas branches, while the decrease in the average cost was primarily related to the lower interest rate levels of medium-term notes and certificates of deposit issued by overseas branches.

Net Fee and Commission Income

In 2014, we generated net fee and commission income of RMB80,123 million, representing a decrease of RMB3,048 million or 3.7% compared to the previous year. The proportion of net fee and commission income to our operating income was 15.29%, representing a decrease of 2.57 percentage points compared to the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	21,123	22,760	(1,637)	-7.2
Consultancy and advisory fees	11,031	16,371	(5,340)	-32.6
Agency commissions	22,945	21,651	1,294	6.0
Bank card fees	19,279	15,929	3,350	21.0
Electronic banking service fees	7,379	6,564	815	12.4
Credit commitment fees	2,807	2,687	120	4.5
Custodian and other fiduciary service fees	3,114	3,338	(224)	-6.7
Others	205	397	(192)	-48.4
Fee and commission income	**87,883**	**89,697**	**(1,814)**	**-2.0**
Less: Fee and commission expenses	7,760	6,526	1,234	18.9
Net fee and commission income	**80,123**	**83,171**	**(3,048)**	**-3.7**

Settlement and clearing fees decreased by RMB1,637 million or 7.2% to RMB21,123 million compared to the previous year. The decrease was primarily due to the downward adjustment of service fee for certain settlement services affected by the regulatory policies regarding the level of service fees.

Consultancy and advisory fees decreased by RMB5,340 million, or 32.6%, to RMB11,031 million compared to the previous year. The decrease was primarily due to a decline in income from financial advisory and other investment banking businesses.

Agency commissions increased by RMB1,294 million, or 6.0%, to RMB22,945 million compared to the previous year. The increase was primarily due to the rapid increase in income from wealth management activities conducted on behalf of customers.

Bank card fees increased by RMB3,350 million, or 21.0%, to RMB19,279 million compared to the previous year. The increase was primarily due to the rapid growth in bank card instalment business.

Electronic banking service fees increased by RMB815 million, or 12.4%, to RMB7,379 million compared to the previous year. The increase was primarily due to the rapid growth in income from notification services and e-commerce.

Credit commitment fees increased by RMB120 million, or 4.5%, to RMB2,807 million compared to the previous year. The increase was primarily due to a rise in income from overseas guarantees.

Custodian and other fiduciary service fees decreased by RMB224 million, or 6.7%, to RMB3,114 million compared to the previous year. The decrease was primarily due to a decrease in income from trading and specialty capital accounts custodian business due to the impact of changes in regulatory policies.

Other Non-interest Income

In 2014, other non-interest income amounted to RMB14,112 million, representing an increase of RMB7,714 million over the previous year.

Net trading gains amounted to RMB1,908 million, representing a decrease of RMB452 million over the previous year. The decrease was primarily due to the decrease in income from derivative financial instruments.

Net gain on financial instruments designated as at fair value through profit or loss amounted to RMB1,505 million, representing an increase of RMB2,144 million compared to the previous year. The increase was primarily related to a rise in gains on financial liabilities designated as at fair value through profit or loss.

Net gain on investment in securities amounted to RMB335 million, representing an increase of RMB685 million over the previous year. The increase was primarily due to the increase in gain on the equity investment of ABC Life Insurance Co., Ltd.

Other operating income amounted to RMB10,364 million, representing an increase of RMB5,337 million over the previous year. The increase was primarily related to the increase in income from insurance business of ABC Life Insurance Co., Ltd., and net gains on foreign exchange.

Composition of Other Non-Interest Income

In millions of RMB

Item	2014	2013
Net trading gain	1,908	2,360
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	1,505	(639)
Net gain/(loss) on investment in securities	335	(350)
Other operating income	10,364	5,027
Total	**14,112**	**6,398**

Operating expenses

In 2014, our operating expenses amounted to RMB223,898 million, representing an increase of RMB25,291 million compared to the previous year, and the cost-to-income ratio was 34.56%, representing a decrease of 1.74 percentage points compared to the previous year.

Staff costs were RMB111,469 million, representing an increase of RMB6,740 million, or 6.4%, compared to the previous year. The increase was primarily due to a rise in staff remuneration according to market changes and the growth in the number of staff, as well as the increase in social insurance fees.

General operating and administrative expenses increased by RMB3,445 million, or 7.5%, from the previous year to RMB49,195 million. The increase was primarily due to the increase in operating expenses, consistent with the expansion of the scale of the Bank's business, and the increase in strategic investment to key regions, major projects and County Areas Banking Business.

Depreciation and amortization increased by RMB1,867 million, or 10.7%, to RMB19,328 million compared to the previous year, primarily because we increased the expenditure on the construction of outlets and electronic channels in recent years. This also, resulted in a corresponding increase in depreciable assets.

Insurance benefits and claims increased by RMB3,235 million, or 483.6%, from the previous year to RMB3,904 million. The increase was primarily due to the expansion of the scale of insurance business.

Provision for guarantees and commitments increased by RMB8,087 million, or 997.2%, from the previous year to RMB8,898 million, primarily because the Bank made a corresponding increase in the provision for guarantees and commitments in the off-balance sheet according to the changes in business volume and risk profiles in order to maintain our strong risk resistance abilities.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Staff costs	111,469	104,729	6,740	6.4
General operating and administrative expenses	49,195	45,750	3,445	7.5
Business tax and surcharges	28,880	27,226	1,654	6.1
Depreciation and amortization	19,328	17,461	1,867	10.7
Insurance benefits and claims	3,904	669	3,235	483.6
Provision for guarantees and commitments	8,898	811	8,087	997.2
Others	2,224	1,961	263	13.4
Total	**223,898**	**198,607**	**25,291**	**12.7**

Impairment Losses on Assets

In 2014, impairment losses on assets increased by RMB14,981 million to RMB67,971 million compared to the previous year.

Impairment losses on loans increased by RMB12,937 million to RMB65,063 million compared to the previous year, primarily due to the increase in the allowance for impairment losses on loans assessed on an individual basis.

Income Tax Expense

In 2014, our income tax expense amounted to RMB52,747 million, representing an increase of RMB4,784 million, or 10.0%, compared to the previous year. The increase was primarily due to the growth in our profit before tax. The effective tax rate was 22.71% in 2014, which was lower than the statutory tax rate. This was primarily because the interest income derived from PRC treasury bonds held by the Bank is exempt from enterprise income tax according to the applicable tax law.

Segment Information

We assessed our performance and determined the allocation of resources based on the 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 regions, and the County Area Banking Business.

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

In millions of RMB, except for percentages

	2014		2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Corporate banking business	280,701	53.6	253,092	54.3
Retail banking business	189,876	36.2	180,223	38.7
Treasury operations	45,686	8.7	27,916	6.0
Other business	7,863	1.5	4,540	1.0
Total operating income	**524,126**	**100.0**	**465,771**	**100.0**

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

In millions of RMB, except for percentages

	2014		2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	58,530	11.2	44,365	9.5
Yangtze River Delta	102,013	19.4	97,953	21.0
Pearl River Delta	69,685	13.3	61,545	13.2
Bohai Rim	82,726	15.8	74,729	16.0
Central China	68,023	13.0	61,720	13.3
Western China	112,468	21.4	102,332	22.0
Northeastern China	19,219	3.7	16,555	3.6
Overseas and others	11,462	2.2	6,572	1.4
Total operating income	**524,126**	**100.0**	**465,771**	**100.0**

Note: Please refer to "Note IV.43 Operating Segments" to the financial statements for details of geographic segments.

The table below presents the operating income from the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

	2014		2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
County Area Banking Business	198,078	37.8	186,085	40.0
Urban Area Banking Business	326,048	62.2	279,686	60.0
Total operating income	**524,126**	**100.0**	**465,771**	**100.0**

Balance Sheet Analysis

Assets

At 31 December 2014, our total assets amounted to RMB15,974,152 million, representing an increase of RMB1,412,050 million, or 9.7%, compared to the end of the previous year. Net loans and advances to customers increased by RMB837,474 million, or 12.1%. Net investment in securities and other financial assets increased by RMB355,532 million, or 11.0%. Cash and balances with central banks increased by RMB139,263 million, or 5.3%, primarily related to growth in deposits from customers. Deposits and placements with and loans to banks and other financial institutions increased by RMB273,534 million, or 38.7%, which was mainly due to the rise in lending in order to optimize our capital utilization efficiency. Financial assets held under resale agreements decreased by RMB227,634 million, or 30.9%, primarily due to the decrease in bonds held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	8,098,067	—	7,224,713	—
Less: Allowance for impairment losses on loans	358,071	—	322,191	—
Loans and advances to customers, net	7,739,996	48.4	6,902,522	47.4
Investment in securities and other financial assets, net	3,575,630	22.4	3,220,098	22.1
Cash and balances with central banks	2,743,065	17.2	2,603,802	17.9
Deposits and placements with and loans to banks and other financial institutions	979,867	6.1	706,333	4.8
Financial assets held under resale agreements	509,418	3.2	737,052	5.1
Others	426,176	2.7	392,295	2.7
Total assets	**15,974,152**	**100.0**	**14,562,102**	**100.0**

Loans and Advances to Customers

At 31 December 2014, our total loans and advances to customers amounted to RMB8,098,067 million, representing an increase of RMB873,354 million or 12.1% 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 2014 Amount	31 December 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Loans granted by domestic branches	7,701,398	95.1	6,914,985	95.7
Corporate loans	5,147,410	63.6	4,728,857	65.4
Discounted bills	157,349	1.9	92,823	1.3
Retail loans	2,396,639	29.6	2,093,305	29.0
Overseas and others	396,669	4.9	309,728	4.3
Total	**8,098,067**	**100.0**	**7,224,713**	**100.0**

Corporate loans amounted to RMB5,147,410 million, representing an increase of RMB418,553 million or 8.9% over the end of the previous year, primarily because we strengthened our services to the real economy focusing on meeting the credit needs of national key economic zones, major projects, strategic emerging industries and small and micro enterprises. We further adjusted the credit structure and allocated more resources to major urban branches and the County Area Banking Business. We achieved steady growth in corporate loans.

Retail loans amounted to RMB2,396,639 million, representing an increase of RMB303,334 million or 14.5% over the end of the previous year. This was primarily related to our continuing to prioritize the development of retail lending activities in respect of marketing, credit policies, diversification of business lines and resource allocation. We also improved the efficiency of the loan approval process of the retail loan approval centre, largely by simplifying the approval procedures for retail loans. The residential mortgage loans and card overdraft rapidly increased.

Discounted bills amounted to RMB157,349 million, representing an increase of RMB64,526 million or 69.5% over the end of the previous year, primarily because we appropriately expanded bills discounting according to the market conditions.

Overseas and other loans amounted to RMB396,669 million, representing an increase of RMB86,941 million, or 28.1%, over the end of the previous year, largely as a result of our further leveraging the marketing synergies between domestic and overseas lending activities, which boosted trade finance in our overseas branches.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Short-term corporate loans	2,203,208	42.8	2,141,372	45.3
Medium- and long-term corporate loans	2,944,202	57.2	2,587,485	54.7
Total	**5,147,410**	**100.0**	**4,728,857**	**100.0**

Short-term corporate loans increased by RMB61,836 million, or 2.9%, over the end of the previous year. Medium- and long-term corporate loans increased by RMB356,717 million, or 13.8%, over the end of the previous year. The proportion of these loans to total corporate loans increased by 2.5 percentage points to 57.2%, primarily because we increased the origination of loans to infrastructure construction projects, which supported the steady growth in medium- and long-term loans.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Manufacturing	1,391,090	27.0	1,373,317	29.1
Production and supply of power, heat, gas and water	528,725	10.3	485,990	10.3
Real estate[1]	581,072	11.3	531,271	11.2
Transportation, logistics and postal services	756,578	14.7	611,311	12.9
Wholesale and retail	530,896	10.3	522,078	11.0
Water, environment and public utilities management	207,977	4.0	196,043	4.2
Construction	207,823	4.0	197,242	4.2
Mining	255,099	5.0	212,467	4.5
Leasing and commercial services	395,085	7.7	337,061	7.1
Finance	55,881	1.1	34,588	0.7
Information transmission, software and IT services	16,785	0.3	24,583	0.5
Others[2]	220,399	4.3	202,906	4.3
Total	**5,147,410**	**100.0**	**4,728,857**	**100.0**

Notes: 1. Classification of the loans in the table above is based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects by 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 research on the macro-economic policies and industrial policies of China and implemented the national macro-economic control policies and regulatory requirements. Adhering to the principle of green credit, we supported the upgrade and transformation of traditional industries. We also supported the technical upgrade of major industries by increasing loans to advanced manufacturing, national infrastructure construction, emerging industries with strategic importance as well as modern service industries. By strictly reviewing entry threshold for industries and implementing industry-specific exposure limit management, customer list-based management and establishment of limits, we controlled the granting of loans to the borrowers in industries with high energy consumption, high pollution or overcapacity. We tightened the management of loans to government financing vehicles by controlling the total amount of loans and adjusting the loan structure meanwhile. We also controlled the granting of loans to government financing vehicles by implementing centralized authorization and united credit. Therefore, the structure of our loan portfolio by industry was further improved.

At 31 December 2014, the five major industries reflected in our corporate loan portfolio 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 73.6% of our total corporate loans, representing an decrease of 0.9 percentage point over the end of the previous year, reflecting a decrease in industry concentration. The industries with the largest increase in proportion to our total corporate loans portfolio were transportation, logistics and postal services, leasing and commercial services, and mining, while manufacturing recorded the largest proportionate decrease.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	1,550,673	64.7	1,292,007	61.7
Personal consumption loans	204,044	8.5	202,808	9.7
Loans to private businesses	263,085	11.0	255,808	12.2
Credit card overdraft	222,865	9.3	194,330	9.3
Loans to rural households	154,609	6.4	146,853	7.0
Others	1,363	0.1	1,499	0.1
Total	**2,396,639**	**100.0**	**2,093,305**	**100.0**

At 31 December 2014, our residential mortgage loans increased by RMB258,666 million or 20.0% over the end of the previous year to RMB1,550,673 million, primarily because we supported the purchase of first small- and medium-sized condominiums to be sold at low and medium price levels for non-investment purpose by urban residents. This also promoted the continued migration of rural households to urban areas, resulting in the steady growth in residential mortgage loans.

Personal consumption loans increased by RMB1,236 million or 0.6% over the end of the previous year to RMB204,044 million, primarily because we adjusted and optimized the customer and product structures, and strengthened the management of the use of personal consumption loans, which resulted in a slight increase in personal consumption loans.

Loans to private businesses increased by RMB7,277 million or 2.8% over the end of the previous year to RMB263,085 million, primarily because we implemented the policy of specific financial services for small and micro enterprises, promoted innovative products regarding loans to private businesses, and increased the grant of loans to small and micro enterprise owners and self-employed businesses.

Credit card overdraft increased by RMB28,535 million or 14.7% over the end of the previous year to RMB222,865 million, primarily due to the stable increase in the number of cards issued and card consumption as well as the continuous development of card instalment payment business.

Loans to rural households increased by RMB7,756 million or 5.3% over the end of the previous year to RMB154,609 million, mainly because we accelerated the business transformation of our lending activities related to loans to rural households, further optimized the customer, product and guarantee structures, and strengthened sophisticated management, resulting in the steady development of loans to rural households.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Head Office	147,721	1.8	115,137	1.6
Yangtze River Delta	1,918,523	23.7	1,780,275	24.7
Pearl River Delta	1,110,104	13.7	1,012,994	14.0
Bohai Rim	1,382,065	17.1	1,251,196	17.3
Central China	1,019,212	12.6	893,855	12.4
Northeastern China	314,039	3.9	277,263	3.8
Western China	1,809,734	22.3	1,584,265	21.9
Overseas and others	396,669	4.9	309,728	4.3
Total	**8,098,067**	**100.0**	**7,224,713**	**100.0**

The Bank introduced a number of differentiated policies for regions including Xinjiang, Hunan, Hubei and Tianjin. We also maintained a strong focus on the national key areas such as the "One Belt and One Road", Yangtze River economic zone and Beijing-Tianjin-Hebei region. Following the progress in innovation and development of national free trade zones, we formulated differentiated credit policies for the Shanghai free trade zone and Shenzhen Qianhai. In 2014, the total loans to customers in Central China, Western China and Northeastern China amounted to RMB3,142,985 million, representing 38.8% of the gross loans to customers, an increase of 0.7 percentage point compared to the end of the previous year. In addition, we strengthened the marketing synergies between domestic and overseas lending activities, resulting in an increase of 0.6 percentage point in the proportion of overseas and other loans.

Investments

At 31 December 2014, our net investment in securities and other financial assets increased by RMB355,532 million, or 11.0%, to RMB3,575,630 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 2014 Amount	31 December 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Non-restructuring-related debt securities	2,859,170	80.0	2,533,100	78.7
Restructuring-related debt securities	371,614	10.4	455,354	14.1
Equity instruments	4,000	0.1	1,888	0.1
Others[1]	340,846	9.5	229,756	7.1
Total	**3,575,630**	**100.0**	**3,220,098**	**100.0**

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

At 31 December 2014, non-restructuring-related debt securities investments increased by RMB326,070 million over the end of the previous year, primarily because we strengthened our research on the macro-economic conditions, and seized the opportunities arising from the market by appropriately increasing our investment in debt securities when the yield on debt securities investment was historically on a high level.

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

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Government bonds	693,588	24.3	652,247	25.8
PBOC bills	20,625	0.7	36,563	1.4
Bonds issued by policy banks	1,364,811	47.7	1,237,664	48.9
Bonds issued by other banks and financial institutions	255,140	8.9	120,131	4.7
Bonds issued by entities in public sectors and quasi-governments	125,381	4.4	96,904	3.8
Corporate bonds	399,625	14.0	389,591	15.4
Total	**2,859,170**	**100.0**	**2,533,100**	**100.0**

In response to market changes, we continued to optimize the structure of our bond portfolio and increased our investments in bonds with better risk-return profile. The proportion of bonds issued by other banks and financial institutions increased by 4.2 percentage points, mainly due to the increase of investments in inter-bank certificates of deposit.

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

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Remaining maturity	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	1	—	1	—
Less than 3 months	152,080	5.3	119,402	4.7
3–12 months	386,888	13.5	398,339	15.7
1–5 years	1,471,887	51.5	1,242,866	49.1
More than 5 years	848,314	29.7	772,492	30.5
Total	**2,859,170**	**100.0**	**2,533,100**	**100.0**

In 2014, the maturity structure of our debt securities portfolio was generally balanced. We accelerated our investment activities by increasing that in medium- and long-term debt securities to obtain higher yield, while judiciously increasing 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

Item	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	2,787,707	97.5	2,464,914	97.3
USD	55,055	1.9	56,108	2.2
Other foreign currencies	16,408	0.6	12,078	0.5
Total	**2,859,170**	**100.0**	**2,533,100**	**100.0**

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss[1]	414,660	11.6	322,882	10.0
Available-for-sale financial assets	927,903	26.0	781,311	24.3
Held-to-maturity investments	1,710,950	47.8	1,523,815	47.3
Debt securities classified as receivables	522,117	14.6	592,090	18.4
Total	**3,575,630**	**100.0**	**3,220,098**	**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 2014, the balance of financial bonds was RMB1,619,951 million, including bonds of RMB1,364,811 million issued by the PRC policy banks and of RMB255,140 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 31 December 2014.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2014 policy bank bonds	18,490	5.44%	2019/4/8	—
2014 policy bank bonds	13,620	5.61%	2021/4/8	—
2014 policy bank bonds	12,150	5.67%	2024/4/8	—
2013 policy bank bonds	11,230	3.98%	2016/7/18	—
2013 policy bank bonds	10,230	3.89%	2016/1/10	—
2014 policy bank bonds	10,170	5.75%	2019/1/14	—
2013 policy bank bonds	10,000	5.85%	2016/2/10	—
2013 policy bank bonds	10,000	5.87%	2017/8/12	—
2011 policy bank bonds	10,000	3.48%	2017/12/23	—
2011 policy bank bonds	10,000	3.81%	2017/12/23	—

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

Liabilities

At 31 December 2014, our total liabilities increased by RMB1,223,968 million or 8.9%, over the end of the previous year to RMB14,941,533 million. Deposits from customers increased by RMB721,986 million or 6.1%, while deposits and placements from banks and other financial institutions increased by RMB152,347 million or 16.9%. Financial assets sold under repurchase agreements increased by RMB104,234 million or 389.1%, primarily due to the increase in debt securities sold under repurchase agreements. Debt securities issued increased by RMB58,906 million, or 22.1%, primarily due to newly issued Tier 2 capital bonds and medium-term notes.

Key Items of Liabilities

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	12,533,397	83.9	11,811,411	86.1
Deposits and placements from banks and other financial institutions	1,056,064	7.0	903,717	6.6
Financial assets sold under repurchase agreements	131,021	0.9	26,787	0.2
Debt securities issued	325,167	2.2	266,261	2.0
Financial liabilities at fair value through profit or loss[1]	372,493	2.5	306,259	2.2
Other liabilities	523,391	3.5	403,130	2.9
Total	**14,941,533**	**100.0**	**13,717,565**	**100.0**

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

Deposits from customers

At 31 December 2014, deposits from customers increased by RMB721,986 million or 6.1%, over the end of the previous year to RMB12,533,397 million. Regarding customer structure, corporate deposits increased by RMB125,876 million or 2.9%, over the end of the previous year, and retail deposits increased by RMB498,671 million or 7.2%, over the end of the previous year. Regarding deposit maturity, the proportion of demand deposits decreased by 2.3 percentage points compared to the end of the previous year to 52.3%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Domestic deposits	12,458,606	99.4	11,746,042	99.4
Corporate deposits	4,437,283	35.4	4,311,407	36.5
Time	1,430,020	11.4	1,301,010	11.0
Demand	3,007,263	24.0	3,010,397	25.5
Retail deposits	7,422,318	59.2	6,923,647	58.6
Time	3,876,021	30.9	3,486,252	29.5
Demand	3,546,297	28.3	3,437,395	29.1
Other deposits[1]	599,005	4.8	510,988	4.3
Overseas and others	74,791	0.6	65,369	0.6
Total	**12,533,397**	**100.0**	**11,811,411**	**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 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	77,854	0.6	50,851	0.4
Yangtze River Delta	2,763,374	22.0	2,653,839	22.5
Pearl River Delta	1,687,296	13.5	1,596,288	13.5
Bohai Rim	2,231,660	17.8	2,118,519	17.9
Central China	2,098,964	16.7	1,956,615	16.6
Northeastern China	659,561	5.3	613,571	5.2
Western China	2,939,897	23.5	2,756,359	23.3
Overseas and others	74,791	0.6	65,369	0.6
Total	**12,533,397**	**100.0**	**11,811,411**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Demand	7,046,736	56.2	6,993,059	59.2
Less than 3 months	1,710,174	13.6	1,576,831	13.3
3–12 months	2,363,672	18.9	2,159,729	18.3
1–5 years	1,412,631	11.3	1,081,790	9.2
More than 5 years	184	—	2	—
Total	**12,533,397**	**100.0**	**11,811,411**	**100.0**

Shareholders' Equity

At 31 December 2014, our shareholders' equity amounted to RMB1,032,619 million, comprising ordinary shares of RMB324,794 million, preference shares of RMB39,944 million, capital reserve of RMB98,773 million, investment revaluation reserve of RMB3,118 million, surplus reserve of RMB78,594 million, general reserve of RMB156,707 million and retained earnings of RMB329,989 million. Net assets per share were RMB3.05.

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

In millions of RMB, except for percentages

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Ordinary shares	324,794	31.4	324,794	38.4
Preference shares	39,944	3.9	—	—
Capital reserve	98,773	9.5	98,773	11.7
Investment revaluation reserve	3,118	0.3	(22,772)	(2.7)
Surplus reserve	78,594	7.6	60,632	7.2
General reserve	156,707	15.2	139,204	16.5
Retained earnings	329,989	32.0	243,482	28.8
Foreign currency translation reserve	(853)	(0.1)	(1,005)	(0.1)
Non-controlling interests	1,553	0.2	1,429	0.2
Total	**1,032,619**	**100.0**	**844,537**	**100.0**

Off-Balance Sheet Items

Our off-balance sheet items primarily 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 the major component of 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

	31 December 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loan commitments	441,058	27.9	470,269	31.7
Bank acceptances	418,937	26.4	404,852	27.4
Letters of guarantee issued and guarantees	241,171	15.2	191,073	12.9
Letters of credit issued	227,337	14.4	196,069	13.2
Credit card commitments	254,222	16.1	219,682	14.8
Total	**1,582,725**	**100.0**	**1,481,945**	**100.0**

Other Financial Information

Changes in Accounting Policies

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

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 based primarily on their market price or the market interest rate. As for financial instruments with no observable market price or interest rate available, the Bank determined their fair value based on the present value of future cash flows or other valuation techniques, using inputs observable 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 primarily based on market price quoted by the China Government Securities Depository Trust & Clearing Co., Ltd. The fair value of foreign currency denominated bonds is primarily based on quoted prices from dealers and valuation service providers. The fair value of derivatives is primarily determined by valuation models and obtaining the price quotes from counter-parties. Except for the fair value of a few financial instruments, which was determined according to regular quotes from dealers and prices from counter-parties, fair value measurement of most of the financial instruments of the Bank was conducted on a daily basis.

The Bank has 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 establishment, 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 2013	Gains/(losses) arising from fair value changes for the year	Accumulated fair value changes recognised in equity	Impairment (reversal +/ charged -)	31 December 2014
Financial assets at fair value through profit or loss	322,882	522	—	—	414,660
Available-for-sale financial assets	781,070	—	4,261	37	927,619
Derivative financial assets	8,186	(991)	—	—	7,195
Precious metals	19,185	463	—	—	20,188
Total assets	**1,131,323**	**(6)**	**4,261**	**37**	**1,369,662**
Total liabilities	**(313,894)**	**1,867**			**(379,733)**

Notes: 1. Total liabilities include financial liabilities at fair value through profit or loss and derivative financial liabilities.
2. The assets and liabilities presented above do not represent the reconciliation of the 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
Shenzhen Financial Electronic Settlement Centre	20,757,641	—	—	—	16.7	20,757,641	—	—	Available-for-sale financial assets	Investment of self-owned capital
China UnionPay Co., Ltd.	146,250,000	11,250	3.8	11,250	3.8	146,250,000	5,062,500	—	Available-for-sale financial assets	Investment of self-owned capital
OTC Clearing Hong Kong Limited	16,641,660	0.01	2.1	0.01	2.1	16,641,660	—	—	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Finance Co., Ltd.	100,290,007	10,000	10.0	10,000	10.0	112,038,459	10,770,644	—	Financial assets at fair value through profit or loss	Investment of self-owned capital
Sichuan Yibin Wuliangye Group Finance Co., Ltd.	390,000,000	39,000	19.5	39,000	19.5	335,215,854	(54,784,146)	—	Financial assets at fair value through profit or loss	Investment of self-owned capital
Tonghua Golden-Horse Pharmaceutical Industry Co., Ltd.	30,018,276	—	—	490	1.1	31,292,675	2,719,342	1,274,399	Available-for-sale financial assets	Investment of self-owned capital

Notes: 1. The equity interests in other listed companies and financial enterprises specified above, in which our shareholding exceeded 1% at the end of the period, are recognized as financial assets at fair value through profit or loss and available-for-sale financial assets.
2. Primarily including net gains on investment in financial assets at fair value through profit or loss and on investment in securities.

Trading in 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)
209,218,657	171,515,044	3,118,540,575.28	164,893,825.94

Business Review

Corporate Banking

In 2014, to actively cope with the complicated and severe economic and financial environment, the Bank further accelerated the transformation of corporate banking business and continued to improve its service capability. The Bank continued to support infrastructure construction projects such as highway, railway, hydraulic engineering and connectivity, and focused on high quality projects in strategic emerging industries such as advanced manufacturing industry and energy-saving and environmental protection. The Bank also strengthened support to modern service industries including tourism, medical care and pensions industries. The Bank aimed to develop its brand as a new-type urbanization banking services provider through promoting the development of new-type urbanization. The Bank established a list of key overseas clients and a database of key overseas projects to improve the banking service synergies between domestic and overseas markets. To strengthen its customer base, the Bank improved and expanded the three-level core customer list. The Bank strictly implemented the strategy of expanding our customer coverage to small and micro customers through devoting more credit support to small and micro enterprises with higher credit rating. Integrated services in branch outlets were improved significantly through accelerating the construction of corporate banking service capability of branch outlets. More efforts were made to specific marketing and synergistic marketing in order to establish a comprehensive, multi-dimensional and multi-layer marketing mechanism. The Bank adhered to the development strategy for investment banking, focused on the development of high end investment banking businesses, including bond underwriting, syndicated loans and asset securitization and fully utilized the intermediary function of financial consultation and assets management. We put a great effort into product innovation and promotion in key areas, especially for core customers and major marketing projects, so as to expand the coverage of key products including supply chain financing, custody service and cash management.

As of the end of 2014, we had 3.45 million corporate banking customers, of which 75.5 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

In 2014, in response to the challenges brought by the liberalization of the interest rate, the Bank enhanced the efficiency of capital allocation, quality of corporate financial services as well as the ability of research and development and sales of products. As a result, the corporate deposits maintained a steady growth. At 31 December 2014, the balance of our domestic corporate deposits reached RMB4,437,283 million, representing an increase of RMB125,876 million or 2.9% over the end of the previous year.

During the reporting period, we closely followed the national industrial policies. Focusing on key construction projects for improvement of livelihood such as rebuilding of shanty areas and construction of low-income housing, as well as core customers and major marketing projects, we enhanced our support to real economy. As a result, our credit structure was further refined. At 31 December 2014, the balance of our domestic corporate loans and discounted bills amounted to RMB5,304,759 million, representing an increase of RMB483,079 million or 10.0% over the end of the previous year.

During the reporting period, we strictly followed the national macro-control policies on the real estate industry, refined the loan structure, strengthened post-disbursement management and prevented risks related to real estate loans. At 31 December 2014, the balance of real estate loans to corporate customers amounted to RMB431,021 million, representing an increase of RMB36,057 million over the end of the previous year. The proportion of real estate loans granted to customers of AA- grade or above increased by 0.29 percentage point over the end of the previous year. Real estate loans to corporate customers in 2014 were mainly granted for development of residential properties. Real estate loans for development of residential properties accounted for 73.5% of the newly granted real estate loans to corporate customers.

Small and Micro Enterprise Banking Business

During the reporting period, the Bank actively continued to put efforts in exploring effective business models for providing services to small and micro enterprises by large commercial banks and adopted measures to solve the difficulty and to alleviate the high cost of small and micro enterprises in financing. To solve the difficulty of small and micro enterprises in financing, the Bank formulated a separate credit plan and provided separate financial resources to small and micro enterprises, commenced the pilot operation of providing collective small and micro enterprises with services in batches, developed new financial products for small and micro enterprises and improved the financial service quality. To alleviate the high cost of small and micro enterprises in financing, for repayment method, quality small and micro enterprises were allowed to borrow new loans to settle existing loans so as to avoid bridge financing with the third party with high interest rate. We were awarded the Best Small and Micro Financing in 2014 by Sina Finance, the Best Service Provider for Small and Micro Enterprises by CFO World, the Best Bank of Small and Micro Enterprise Financial Service in 2014 by East Money and Excellent Contribution Award for Small and Micro Enterprises Banking in China for 2014 by National Business Daily.

At the end of 2014, loans to small and micro enterprises amounted to RMB974,920 million, representing an increase of RMB161,619 million or 19.9% over the end of the previous year. The growth rate was higher than that of the total loans of the Bank by 7.8 percentage points.

Institutional Banking

As of the end of 2014, we established business cooperation with 205 banks. We offered third-party depositary services to 98 securities firms for their transaction settlement funds, and the number of our contracted customers reached 15,428.8 thousand. The average daily balance of funds deposited amounted to RMB88,582 million, representing a growth of RMB21,938 million as compared to 2013. A total of 115 futures brokerage companies used our Bank – Futures Account System and 150 futures brokerage companies established cooperation relationships with us, with outstanding margin deposits amounting to RMB29,348 million. We established comprehensive cooperation relationships with financial leasing companies, asset management companies and automobile financing companies and the balance of credit was more than RMB181,300 million.

The Bank further strengthened the integrated financial services in the government, education, hygiene, cultural and tourism aspects and increased the credit support to schools, hospitals and water conservancy construction. The Bank developed and commenced operation of various new customized products, such as the donation system for China Charity Association, electronic self-service counter system for centralized treasury payment and multi-channels for reimbursement of business cards.

The Bank maintained its leading position in the bancassurance market and collected new insurance premiums of RMB115,869 million and recorded a total income of RMB3,811 million from bancassurance in 2014. Our market share ranked first for five consecutive years among the major commercial banks in China in terms of revenue.

Settlement and Cash Management

Payment and Settlement

The Bank further expanded the scale of its corporate settlement account and enriched, refined its settlement products, innovated services and functions of account, and strengthened cooperation with customers. As a result, we expanded the coverage of settlement card, settlement package service and settlement agency, and enhanced experience of customers in financial services. As of the end of 2014, we had 4.2217 million RMB-denominated corporate settlement accounts, representing an increase of 6.0% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB502.75 trillion, representing an increase of 29.9% compared to the previous year. We issued 325.0 thousand corporate settlement cards, representing an increase of 124.3% compared to the end of the previous year.

Cash Management

The Bank further enhanced the marketing of cash management and innovated and improved the functions of cash management products, in order to improve customers' experience in cash management and consolidate the customer base of cash management. Grasping the opportunities brought by the internationalization of RMB, the Bank developed innovative products facilitating customers to expand operation overseas, as well as centralized operation service of cross-border RMB and foreign currency. The Bank expanded its overseas market of cash management by enhancing the cooperation with foreign banks. The Bank strived to uplift the recognition of "Xing Yun", its cash management brand, so as to enhance the competitiveness of its cash management business. As of the end of 2014, the Bank had 342.0 thousand cash management customers, representing an increase of 34.6% compared to the end of the previous year. Total transaction volume of cash management reached RMB179.71 trillion, representing an increase of 24.6% compared to the previous year. In 2014, the Bank was awarded the "Best Bill Pool" and the "Best Cash Pool" by *CFO World*.

Trade Financing and International Settlement

In response to the customers' diversified needs for trade financing services, the Bank put a great effort in product innovation, expanded major businesses including letter of guarantee, account receivables financing and supply chain financing and developed new products, such as bancassurance financing and domestic and overseas factoring. The cross-border RMB business recorded a rapid growth as the Bank supported the development of internationalization of RMB and promoted product innovations and business expansion of cross-border RMB settlement. In 2014, the Bank was awarded the "Best Innovative Trade Financing Products" in the fourth election of "Outstanding Bank for Trading Finance" organized by the China Banking Association. The Bank was also awarded the "Best cross-border RMB settlement Bank" in the fourth election of "Most Trustworthy Financial Service Provider by Chinese Foreign Trade Enterprises" organized by *Trade Finance* and China Trade Finance Net.

In 2014, the international trade financing volume of domestic branches amounted to USD126,330 million and the international settlement volume of domestic branches amounted to USD902,140 million, representing an increase of 15.5% compared to the previous year. The Bank issued an aggregate of USD42,450 million of letters of guarantee, representing an increase of 48.4% compared to the previous year.

Actively Promoting Internationalization of RMB
Strongly Developing Cross-border RMB Business

In order to support the internationalization of RMB, the Bank exerted a great effort in developing cross-border RMB business and promoted the usage of RMB in cross-border transactions and investments. Since 2009, the Bank has set up a cross-border RMB product system comprising settlement, clearing, trade financing, capital transaction, cash management, agency investment in bond market and fund custody of RQFII. The Bank also opened over 230 accounts for inter-bank RMB transactions for foreign banks and pioneered launching deferred cross-border RMB-denominated settlement services in Europe and the Middle East. In 2014, RMB-denominated settlement volume of domestic branches of the Bank amounted to RMB1,185,810 million.

The Bank actively participated in construction of financial reform zones including free trade zones. In 2014, the separate accounting system of Shanghai Free Trade Zone was launched successfully and obtained qualification of settlement bank for international board from Shanghai Gold Exchange, being the first batch of banks obtaining such qualification. The Bank also established China-ASEAN cross-border RMB business center and ASEAN currency business center in Guangxi. The Bank was the first bank publishing relevant exchange index of RMB against currencies of ASEAN members which listed exchange rates for 9 ASEAN members. The Bank enhanced the synergies between domestic and overseas institutions in terms of innovation and became one of the first banks granting cross-border RMB-denominated loans in Suzhou Industrial Park and Tianjin Eco-City. Through enriching the services and functions of cross-strait RMB-denominated settlement center in Xiamen, the number of overseas RMB accounts in Xiamen ranked top among other banks in Xiamen.

The Bank put a great effort in supporting the construction of "One Belt and One Road" and strengthened the development of RMB business in overseas branches. The Bank established institutions in London, Frankfurt, New York, Dubai and Luxembourg and other financial centers, in order to support enterprises in China to expand their operation overseas and the construction of "One Belt and One Road". In 2014, the Bank held international forum in relation to RMB in London, Frankfurt and Dubai, entered into Agricultural Cooperation Agreement with TJK Agricultural Investment Bank and organized seminar in relation to China-ASEAN cross-border RMB business in Guangxi, promoting RMB to become one of the currencies used in regions located in "One Belt and One Road", including Europe, the Middle East, the Middle Asia and ASEAN.

The Bank implemented reform measures encouraged by the government such as the convertibility of capital account items and proactively participated in the business innovation in RMB capital market. In 2014, the Bank was among the first batch of banks qualified for cross-border capital settlement under Shanghai-Hong Kong Stock Connect and proactively carried out cross-border capital settlement and foreign exchange business. We listed a medium term notes programme denominated in RMB and foreign currencies with a total value of USD15 billion, which were rated as A1 by Moody's and A by Standard & Poor's. We issued and completed the listing of the first RMB bonds of PRC bank in Frankfurt and Dubai. The Bank continued to explore new cooperation models for offshore RMB business and entered into a memorandum for strategic cooperation of cross-border RMB business with London Stock Exchange Group to jointly research and develop products for RMB capital market.

Investment Banking

In 2014, the Bank focused on the development of high-ended investment banking businesses, including bond underwriting, syndicated loans and asset securitization to promote investment banking business transformation and enhance the service capabilities of investment banking for real economy in line with the changes in regulatory policies and demands in the market.

During the reporting period, we underwrote 262 debt instruments with an aggregate value of RMB279,315 million, representing an increase of 39,315 million compared to the previous year. Among them, 150 were short-term commercial papers (including super short-term commercial papers) with an aggregate amount of RMB168,345 million and 112 were medium-term notes (including private placement of debt instruments and Small and Micro Enterprise collective bills) with an aggregate amount of RMB110,970 million. We introduced the first demonstrated small town financing service model in the inter-bank market and completed the underwriting of private bonds for construction of demonstrated small town. By launching the new mode of serving Sannong through commercial operation, we underwrote the first direct financing project of county level government vehicles and the first bonds for poverty alleviation through tourism. We enriched our bond types and managed to underwrite the first equity investment financial corporate bond and perpetual private bond. The Bank also issued 2 tranches of credit asset securitization products with a total volume of RMB10,125 million. The Bank acted as a lead manager and participated in large syndicated lending projects, and refined the organization and forms of syndicate in order to provide credit support for key customers and major projects. Services for private equity were further diversified and extended by introducing private equity advisory service.

The Bank was awarded the “Best Development” and the “Best Deal” in the annual syndicate appraisal by the China Banking Association.

Retail Banking

In 2014, the Bank continued to deepen the strategic transformation of our retail banking business and accelerate the development into a first-class retail bank in China. We further extended and adjusted the network layout of the outlets and increased the number of self-service machines to establish a diversified channel-based service system. We developed financial projects for people’s livelihood and enhanced the service quality of branch outlets to improve customers’ experience. We accelerated product innovation and strengthened the building of retail work teams comprising financial planners and internal trainers. We strengthened the marketing synergies between corporate and retail banking businesses and the integrated marketing of retail banking, to enhance the abilities in cross-selling and batch marketing. We were awarded as the “Best Retail Bank in 2014” by CAIJING.com.cn.

As of the end of 2014, we had 456 million retail customers and among which we had more than 22 million VIP retail customers.

Retail Loans

We actively supported individuals in purchasing first small- and medium-sized condominiums to be sold at low and medium price levels for non-investment purpose. In response to the national strategy to promote new-type urbanization, we provided housing loans to rural households to settle in urban areas. During the year, the total housing mortgage loans to rural households amounted to RMB90.4 billion, helping 0.36 million rural households to settle in urban areas. By strengthening product innovation for retail loans, new business such as consumer loan "Bao Jie Dai" recorded an increase of RMB27.25 billion in aggregate. Personal online loan platform achieved substantial growth. There were 0.492 million cases of personal loans applied through the online retail loan platform and the accumulated loans granted amounted to RMB103.8 billion, representing an increase of 249% and 219%, respectively, as compared to the previous year. We were awarded as the "Best Bank in Internet Finance Innovation for Retail Loans" by CAIJING.com.cn. At 31 December 2014, the balance of domestic retail loans reached RMB2,396,639 million, representing an increase of RMB303,334 million over the end of the previous year.

Retail Deposits

In 2014, closely following the trend of interest rates liberalization, we strengthened the sophisticated management of interest rates. We seized market development opportunities in the County Areas and consolidated our competitiveness in channels. Through improving our service standard, upgrading product functions, and enhancing our active liability management, we strengthened a solid foundation for the growth of retail deposits. At 31 December 2014, the balance of domestic retail deposits reached RMB7,422,318 million, representing an increase of RMB498,671 million over the end of the previous year.

Bank Cards

As of the end of 2014, the number of debit cards issued amounted to 725 million, representing an increase of 88 million over the end of the previous year, ranking top among the four large commercial banks in terms of the number of cards issued. Among them, the number of debit IC cards issued amounted to 281 million, representing an increase of 144 million compared to the end of the previous year. The number of credit cards[1] issued amounted to 51.3836 million, and our dedicated credit card merchants amounted to 866 thousand. The transaction volume of credit cards of the year amounted to RMB994,392 million, representing an increase of 23.3% compared to the previous year.

For debit cards, by launching marketing activities, we enhanced the brand awareness of Kins card and encouraged customers to use our cards. We issued Dreams-Come-True Student Kins card jointly with China Youth Development Foundation, and provided co-brand cards jointly with China Charity Federation to fulfill social responsibility. We introduced customized services such as card replacement without number change and selection of card number by new card applicants to meet the increasing need of customized services from customers.

1 *The bank credit cards including credit card and quasi-credit card.*

For credit cards, we strengthened our cooperation with brand merchants, promoted joint marketing activities with catering merchants and continuously introduced services with different characteristics. We initiated promotions for new card applicants to raise the proportion of activation and usage of new cards, and increase the number of new cards to be issued for key products such as Pretty Mother card and Global Business card. We seized the opportunities from the rapid expansion of overseas card services by optimizing credit card cross-border payment functions. We actively promoted new businesses such as developing installment bill payment, and enriched product types to improve customer experience.

Item	31 December 2014	31 December 2013	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	72,467.64	63,653.19	13.85%
Number of credit cards issued (unit: 10,000)	4,651.06	3,970.98	17.13%
Item	**2014**	**2013**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	66,929.37	55,180.60	21.29%
Transaction volume for credit cards (RMB100 million)	9,868.54	7,981.28	23.65%

Private Banking Business

As of the end of 2014, we established private banking departments in 30 branches. The number of customers of our private banking business of the Bank reached 57,000 and the assets under custody amounted to RMB640,000 million.

During the reporting period, we promoted the construction of private banking customer service system to provide comprehensive, tailor-made, confidential and integrated wealth management services for high-net-worth retail customers. We accelerated product innovation and successfully launched discretionary asset management service, forming a special product system for private banking. We also explored new fields of private banking consultancy service, introduced the family trust service and launched the first domestic family trust business among the four large commercial banks. In addition, we constantly enriched our consultancy services such as cross-broader financial services, integrated financial services for shareholders of listed companies and legal and tax consultation services. In order to strengthen the risk management of private banking business, we implemented various risk compliance inspections.

Treasury Operations

Our treasury operations include money market activities and investment and trading activities. Adhering to the principle of prudent operation, the Bank flexibly coped with changes in domestic and foreign economic and financial markets, promptly adjusted the investment strategies, and continuously improved our risk management. Our asset operation efficiency was further improved.

Money Market Activities

In 2014, the PBOC maintained its prudent monetary policies. Through keeping total money supply stable and increasing money supply to specific sectors to optimize the structure, the total money supply maintained a moderate growth. Market expectation on liquidity was effectively managed through the flexible combination of short-term liquidity operation (SLO), medium-term lending facility (MLF) and open market operation. In November, the benchmark interest rates for one-year deposit and loan were cut by 25 basis points and 40 basis points, respectively, to reduce cost of financing in general.

Based on strengthening its study on monetary policies and market liquidity, the Bank has improved the efficiency of the general forecast and management of funds, so as to ensure the stability of its liquidity. The Bank also expanded its financing channels and increased returns on monetary assets. In 2014, our RMB-denominated financing transactions amounted to RMB11,717,565 million, including lending of RMB9,485,734 million and borrowing of RMB2,231,831 million.

We maintained our prudent strategy for foreign currency financing business, closely monitored changes in monetary policies of major developed economies and promptly adjusted our investment strategies accordingly. We also moderately increased lending to Chinese-funded overseas credit parties.

Investment and Trading Activities

At 31 December 2014, our net investment of securities and other financial assets amounted to RMB3,575,630 million, representing an increase of RMB355,532 million compared to the end of the previous year.

Trading Activities

In 2014, we closely monitored the changes in the bond market, dynamically adjusted our strategy of portfolio management and flexibly arranged the amount and maturity of trading-type bond assets, so as to achieve higher returns. Our Bank actively participated in two-way market-making and quotation and ranked second among all market-makers in the inter-bank bond market in 2014, according to China Foreign Exchange Trading System.

Banking Book Activities

In 2014, the yield of the RMB-denominated bond market slided down with fluctuation and the yield curve of the bond market appeared flat and steep alternatively. We enhanced study and trend forecast of interest rates in the bond market and increased our investments when the yield of the bond market was high. We also effectively increased the yield of investment portfolio by continuously refining our investment portfolio and structure through buying-selling dynamic operation.

In 2014, we adhered to prudent foreign currency investment strategies to cope with the changing and complicated international financial environment. We moderately controlled the maturity of portfolio, strengthened the credit risk management, improved the valuation capabilities, and continuously refined our investment portfolio and structure, so as to achieve higher investment returns. As of 31 December 2014, our foreign bonds investment portfolio for our own account amounted to USD11,679 million.

Asset Management

Wealth Management

Retail Wealth Management

In order to satisfy increasing demand for wealth management of retail investors, we exerted more efforts in the design of wealth management products and innovations in sales models to continuously develop our retail wealth management business.

As of 31 December 2014, the balance of our retail wealth management products amounted to RMB825,365 million, representing an increase of 41.4% compared to the end of 2013. In 2014, the Bank steadily boosted the development of its retail wealth management in County Areas. We introduced innovative wealth management products for rural households, with the first phase of pilot sales launched in Zhejiang and Shandong branches. These products, which were sold to customers in County Areas, mainly invested agriculture-related assets and amounted to more than RMB1,500 million.

Our wealth management products were well recognized by the social media. In 2014, the Bank was awarded the "Best Banking Wealth Management Products for 2013" and the "Outstanding Wealth Management Brand for 2013" by *Shanghai Securities News* and www.CNSTOCK.com, the "Golden Bull Banking Wealth Management Products Award (income guaranteed and net value products)" by China Securities Journal and www.JNIC.com, and the "Best Bank in Profit Making for 2014" by *21st Century Business Herald*.

Corporate Wealth Management

Our corporate wealth management further expanded. As of 31 December 2014, the balance of our corporate wealth management products amounted to RMB332,132 million, representing an increase of 24.8% compared to the end of 2013.

In 2014, the Bank actively promoted the development and innovation of wealth management products for corporate customers. We also optimized the functions of our wealth management products such as pledge, appointment and additional subscription. With the introduction of new service models of wealth management banking business, we carried out the special account asset management business targeting large corporate customers. We determined scopes of investment under the agreement with customers and provided them with proactive investment management strategies.

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. We prepared separate accounts and operating reports for each of the wealth management products. As of 31 December 2014, the balance of our off-balance-sheet wealth management products amounted to RMB672,983 million. In 2014, the off-balance-sheet wealth management products issued and redeemed generally achieved the expected yield. Currently, off-balance sheet wealth management products which have not yet matured are performing normally.

Custody Service

As of the end of 2014, we had RMB4,964,042 million of assets under custody, representing an increase of 38.43% compared to the end of the previous year. Among them, insurance assets under custody amounted to RMB1,926,833 million, representing an increase of 12.87% compared to the end of the previous year, ranking first among the banking industry in China. In 2014, our custody and other fiduciary service fees amounted to RMB3,114 million.

Pension Business

In 2014, we steadily developed our custody business for the innovative pension products, new rural pension insurance fund program and various social security funds to facilitate the diversified development of pension business. We also actively developed the integration plans of corporate annuities and won the bids for a number of annuities and funds custody projects of several quality enterprises. As of the end of 2014, pension funds under our custody reached RMB263,336 million, representing an increase of 26.51% compared to the end of the previous year.

Precious Metal Business

In 2014, affected by factors such as the geopolitical tensions, the withdrawal of QE3 by the Federal Reserve and the expected rise in interest rate of USD, the price of international precious metal fluctuated at low levels and there was a significant decrease in the domestic demand of physical precious metal. As a major precious metal market maker in the PRC, the Bank provided customers with precious metal trading, investment and hedging services through leasing gold, trading of precious metal derivative to customers and trading physical precious metal in the Shanghai Gold Exchange, the Shanghai Futures Exchange and the London precious metals market. In 2014, the amount of precious metal trading was RMB456,591 million, representing an increase of 101.53% compared to the previous year. The amount of settlement as an agent for the Shanghai Gold Exchange was RMB83,531 million.

In 2014, we were among the first batch of banks to obtain the international membership of Shanghai Gold Exchange and the qualification for settlement on its international board, and gained the first prize of 2014 financial outstanding membership, market prominent contribution and the third prize of outstanding commercial bank in leasing business of Shanghai Gold Exchange.

Treasury Transactions on behalf of Customers

The Bank continued to develop innovative products for treasury transactions on behalf of customers. We promoted foreign currency derivative trading tools to meet various hedging needs of customers and improved the market competitiveness for treasury transactions on behalf of customers. During the reporting period, we progressively introduced new transactions on behalf of customers in Ruble, New Zealand Dollar, Thai Baht, Tenge to enrich the portfolio of foreign currency trading. We were approved to become one of the first batch of market makers of direct trading between Renminbi and British Pound, Renminbi and Euro, and Renminbi and Singapore Dollar. We were also one of the first batch of market makers of inter-bank regional trading between Renminbi and Tenge, and Renminbi and Vietnamese Dong. In 2014, the transaction volume of our Renminbi exchange settlement on behalf of customers reached USD372,827 million, and that of foreign exchange trading on behalf of customers amounted to USD38,428 million.

In 2014, the Bank was in a leading position in terms of awards for market making with 15 awards granted by China Foreign Exchange Trade System, including “Best Integrated Market Maker”, “Best Non-U.S. Currencies Market Making Award” and “Best Foreign Currencies Market Making Award” in the inter-bank foreign exchange market.

Asset Securitization

Through carrying out credit asset securitization business, commercial banks are able to release economic capital and improve capital adequacy ratio. They can also enrich active risk management tools and facilitate the transformation of corporate banking business. In 2014, the Bank actively participated in the market and issued two batches of credit asset securitization products in the amount of RMB10,125 million, which facilitated our structural adjustment, capital saving, risk management and financial innovation.

Promoting Credit Asset Securitization in response to Market Development Needs

Credit asset securitization refers to structural financing activities in which a banking financial institution, as the promoter institution, entrusts the credit assets to a trustee institution, and the trustee institution issues beneficial securities to investment institutions in the form of asset-backed securities and pays the yields of asset-backed securities by the cash generated from the aforesaid assets.

Credit asset securitization business developed rapidly in China in 2014, with the launch of over 60 products in the market throughout the year in the total amount of over RMB280,000 million, which was 2.8 times the aggregate issuance amount over the past nine years since the pilot launch in 2005. The PBOC, the CBRC and other regulatory departments attached great importance to the development of such business. According to the Notice on the Filing and Registration Procedures of Credit Asset Securitization issued by the CBRC in November, the approval system was changed to the filing system in order to facilitate the development of the business and diversify the types of promoter institutions, basic assets and investors.

In response to market trends, the Bank continued to promote credit asset securitization business with the focus on structural adjustment, risk management and financial innovation. Firstly, the Bank attached great importance to credit asset securitization business, which was recognized as our strategic business, to adapt to market trends and facilitate business transformation. Secondly, the Bank participated in the market construction by capitalizing on its competitive edges. Leveraging on its advantages on asset operation and professional expertise, the Bank reported its credit asset securitization business to the MOF, the PBOC and the CBRC in a timely manner, and made suggestions on improving the market system. Thirdly, the Bank steadily developed the business in accordance with its rules. The Bank formulated comprehensive rules and operating procedures, developed our business operating system and optimized resources allocation to achieve steady business expansion. In 2014, the Bank successfully issued the "ABC Tranche 1" and "ABC Tranche 2" credit asset securitization products with a total amount of RMB10,125 million, which ranked second among large state-owned commercial banks and ranked top in terms of issue price, subscription rate and investor types. All the proceeds were invested in the development of industries encouraged by the government. As a result, the Bank well served the real economy and brought positive influence on the market. Fourthly, the Bank strictly controlled risk and regulated its development. The basic assets of our two tranches of securitization products mainly backed by quality core customers of the Head Office and tier-1 branches and avoided high-risk areas and industries to prevent the spread of credit risk. The "senior-mezzanine-subordinated" arrangement was adopted for our product structure and our risk retention was not less than 5%. The Bank specified the follow-up management model for loans regarded as our own loans in order to fulfill our obligations as a loan service institution for timely settlement and effectively avoid risks resulting from insufficient management.

In 2015, the Bank will develop credit asset securitization business focusing on its "structural adjustment, risk management and financial innovation" under its proactive and prudent strategies. In accordance with its overall operating requirement, the Bank will select appropriate basic assets and continue to issue a certain size of credit asset securitization products.

Agency Distribution of Fund Products

In 2014, the capital market became increasingly active while innovation and reform of the fund industry accelerated. We strengthened our strategic cooperation with outstanding fund companies and deployed popular marketing themes. We also put more efforts in the development of innovative products and IT systems and further improve the professionalism of our sales teams to maintain a healthy and steady growth of agency distribution of fund products. In 2014, we distributed fund products with a total transaction volume of RMB391,830 million, representing an increase of RMB116,210 million or 42.2% compared to the previous year.

Agency Sales of PRC Government Bonds

In 2014, 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 RMB18,050 million and 10 batches were electronic saving treasury bonds with actual sales of RMB22,520 million.

Distribution Channels

Branch Outlets

In 2014, the Bank continued the transformation of its branch outlets by optimizing and adjusting their layout under the principles "restructuring, adjustment, transformation and expansion" in pursuit of "controlling the total number of branch outlets, optimizing the branch outlets in urban areas and stabilizing the branch outlets in the County Areas". The Bank was also committed to strengthening the competitiveness of its branch outlets by carrying out in-depth analysis on their layout and competitiveness with consideration of the development of internet banking as well as the research on the future positioning and development of bank channels.

Promoting Transformation of Branch Outlets
Enhancing Market Competitiveness of Branch Outlets

In 2014, the Bank put a great effort in transforming its branch outlets and refining the layout of outlets. The Bank promoted the establishment of standardization of outlets and enhanced 6S management approach. The Bank also refined the resource allocation of outlets with an aim to strengthen the competitive edge of outlets.

Firstly, the Bank refined the layout of its outlets. In response to the plan of the PRC to relocate and settle "three groups of 100 million people" and in view of the general trend of urban expansion and urbanization of rural area, the Bank established additional outlets, self-service banking centres or Huinong service stations in regions that our branch network did not effectively cover, such as emerging towns, professional markets, industrial parks, large communities and towns with a population of over 30,000 in which we had not entered or new rural communities with a population of over 10,000. By further expanding the coverage of its services, network of the Bank has already covered all provincial administrative regions and all prefecture-level cities (excluding Sansha) as well as 99.8% of county-level regions in the PRC. The Bank implemented list-based management for outlets with low efficiency and formulated separate plans for adjustment and enhancement for each of those outlets. Through relocating or improving outlets with low efficiency, the value of outlets enhanced.

Secondly, the Bank further enhanced the standardization of its branch outlets. The Bank promoted the standardization of hardware facilities in all of its branch outlets. As of the end of 2014, standardized outlets accounted for 85.2% of the total outlets of the Bank, representing an increase of 5 percentage points compared to the end of last year. Different service counters were set up in the outlets, including over 17,200 non-cash service counters, over 17,600 VIP counters and over 21,700 independent self-services counters.

Thirdly, the Bank adopted 6S management approach to standardize the management of branch outlets. In particular, the Bank adopted 6S management approach comprising order, tidiness, cleanliness, hygiene, quality and safety of each outlet in order to improve the service environment of outlets, enhance efficiency of services and raise staff morale, thus improving experience of staff and customers. Results of standardized management was considered as one of the qualification criteria for the persons in charge of outlets, so as to motivate the persons in charge of outlets to perform the responsibility of outlet transformation. The Bank comprehensively implemented 6S management approach in more than 11,500 branch outlets.

Fourthly, the Bank relocated more staff to its branch outlets. Some backoffice management staff in branches and sub-branches was appointed to outlets with more customers to cope with overloaded business transactions in peak hours and shorten the waiting time of customers.

Fifthly, the Bank enhanced the quality of its intelligent services of outlets. The Bank streamlined the procedures of front desk and integrated the checking procedure of back office. The Bank also launched intelligent super counters and put a great effort in developing small-scale and intelligent outlets, including self-service banking centres and Huinong service stations.

Electronic Banking

In 2014, the Bank closely followed the new trend of internet technology and put a great effort in innovation of integrating services provided by different channels and further refined the functions of various electronic channels, including internet banking, telephone banking, mobile banking and self-service banking. The Bank promoted the transformation of electronic banking services from basic financial services into e-commerce financial services through integrating information of customers, upgrading and optimizing its websites and platforms and improving customer experience. Through establishing various customer services systems, including internet customer services, Weibo customer services and WeChat customer services and promoting sophisticated management in customer service centers, the overall quality of customer services of the Bank were enhanced. As of the end of 2014, the total number of our electronic banking customers was 643 million, representing an increase of 131 million customers or 25.6% as compared to the end of the previous year. The Bank completed 55,692 million electronic transactions in the year, representing an increase of 24.9% compared to the previous year; and the proportion of financial transactions through electronic channels accounted for 89.6%[1].

Internet Banking

In 2014, the Bank prioritized the development of internet banking and portal as the fundamental service platform of electronic banking. The Bank launched value-added services, including inter-bank fund collection and exchange settlement and sales, and enriched the supply of financing and wealth management products. Through communicating with customers in respect of transactions and services, customers' passion for participation was enhanced. Hit rate of the website amounted to 5,193 million times during the year. As at the end of 2014, the Bank had 135 million of retail internet banking customers with transaction volume of RMB98 trillion throughout the year. The Bank also had 3.19 million of corporate internet banking customers with transaction volume of RMB77 trillion throughout the year. The Bank received 2.078 million online credit card applications, representing an increase of 87.54% as compared to the previous year. The Bank also received 105,000 online retail loan applications amounting to RMB23,870 million, representing an increase of 54.63% compared to the previous year.

Telephone Banking

In 2014, the Bank optimized and upgraded its telephone banking services and functions and focused on the enhancement of private banking customer services and manual lost card report hotline, in order to improve customer satisfaction. During the reporting period, we received 423 million calls via our 95599 customer service centre, 69.31 million calls answered by our customer service staff and the call completion rate was 87.11%.

Note 1: The proportion of electronic financing transactions = the number of electronic financing transactions/(the number of electronic financing transactions + the number of counter transactions). The denominator does not include the number of transactions carried out through batch collection and payment transfer, financial services platform, investment platform and other transaction channels.

Mobile Banking

In 2014, the Bank put a great effort in developing mobile financing business comprising "mobile banking, mobile payment, mobile commerce and mobile social interaction". The Bank launched the first functional payment products and authentication system with multi-levels in the industry. With an aim to fulfil various needs of convenient payment of customers, the Bank launched payment function through linking mobile SIM card with bank account in several regions. The Bank launched financial services room, life style room and information room in mobile terminals and connected the service management platform with public service platform. The Bank also launched mobile shopping function with extensive choices of services, including movie tickets, games, household appliances and automobile. In order to develop new relationship with customers, the Bank launched WeChat banking services and extended new-style channels for communication with customers. As of the end of 2014, the Bank had 111 million mobile banking customers with transaction volume of RMB5.49 trillion throughout the year, representing an increase of 254.19% compared to the previous year. The Bank also had 259 million customers contracted for mobile banking SMS services with a total of 12,787 million short messages sent to the contracted customers in the year.

Self-service Banking

As of the end of 2014, the Bank had 112,098 cash-related self-service banking facilities, ranking top among the large commercial banks. The total transaction volume of such facilities amounted to RMB12.81 trillion for the year. The Bank also had 48,061 self-service banking terminal facilities with total transaction volume of RMB8.19 trillion for the year. The Bank had 3.0743 million Zhifutong machines, with a total transaction volume of RMB13.7 trillion for the year. During the reporting period, the Bank further increased self-service facilities in County Areas and optimized functions of different channels. The diversion rate of self-service facilities of the Bank was 72%. In order to facilitate households by financial service, the Bank adjusted service charges of self-services banking, added notice of reminder on charges and launched inter-bank transfer. The Bank developed paperless self-service terminal by using electronic to replace written records in order to protect environment.

Internet Finance

Grasping opportunities brought by internet finance and leveraging on off-line resource advantage, the Bank launched new pilot projects of internet finance focusing on its small and micro enterprise market, County Area market and the long tail market of retail. The Bank explored new transformation models of operation under the new trend of internet economy through extending the application of internet technology and the integration with internet thinking and establishing a system for research and development of ancillary products, supporting system for operation and on-line risk prevention system. The Bank commenced the operation of an integrated service platform for internet finance (i.e., Panyun Platform), which preliminarily established an integrated service platform for internet finance comprising "platform + data + finance" with the Bank's own features and achieved remarkable progress in internet payment, internet financing and electronic commerce.

Internet Payment

In 2014, leveraging on its advantages on off-line customers and resources, the Bank focused on the establishment of mobile terminal payment systems, in particular, the mobile terminal payment system in rural areas. The Bank took a great effort in exploring new-style on-line payment models integrating the mobile ecosystem through mobile internet, in order to set up a convenient, fast and safe mobile payment service system. The Bank established an open mobile finance platform, information service platform and public service platform and preliminarily developed various mobile payment functions, including near field communication (NFC) technology and two-dimensional code covering convenient services related to daily life of customers. Based on "Huinongtong" project, the Bank strived to cooperate with different industries and continued to establish internet payment platform by integrating mobile payment application. The Bank developed mobile payment system comprising mobile payment terminal and internet banking account, and pilot system was launched in the markets of County Areas. As such, the Bank successfully developed new basic financial service model facilitating rural households and cultivating new habit of small amount payment of rural households by electronic means.

Internet financing

In 2014, the Bank officially launched pilot operation of "data internet loan", an innovative internet financing product that first launched in the banking industry. Through this product, the Bank provided self-service credit services online only based on transaction data. The "data internet loan" was mainly provided to non-traditional credit customers, automatically identified the identities and needs of customers, accepted applications, approved credit, entered into contracts with customers, granted credit and received repayment, covering the full process of credit business. Through "data internet loan", the Bank has established an internet credit granting model focusing on credit instead of guarantee and without security requirement, which allows our customers to apply for loans and make repayment at anytime and manage their finance easily, solving the difficulties and high costs of financing faced by small and micro enterprises. As of the end of 2014, the Bank had explored 1,629 small and micro enterprises through its big data and granted loan of RMB46.3161 million, including outstanding loan of RMB30.1023 million.

E-Commerce Banking

In 2014, the Bank innovated and promoted the "e-Commerce Steward", which was a milestone for the deep integration of e-commerce platform with operation and management of enterprises. The Bank developed a new generation of "integrated e-commerce payment platform" and established an online payment platform with multi-channels, multi-dimensions and multi-functions that focused on management of customers, based on the data of orders, and aimed to uplift the experience of customers. Regarding the cooperation with the third-party payment companies, the Head Office of Bank negotiated with each of their head offices. Through the cooperation with such third-party payment companies, the quick payment access and the provision management system was established. As of the end of 2014, the Bank had 11,108 members with an e-commerce transaction volume of RMB1.3 trillion, representing an increase of 57.0% as compared to the previous year.

Innovating Development Model of e-Commerce
Building New e-Commerce Service Platform "e-Commerce Steward"

The Bank strived to explore new development model for e-commerce and reorganized the structure of e-commerce market, so as to encourage the transformation of operation and enhance its core competitive edge. In response to the trend of internet financing, the Bank continued to roll out new settlement products and refine e-commerce service system, so as to fulfil the needs of enterprises transforming to e-commerce. In view of the above, the Bank established a brand new e-commerce service platform — "e-Commerce Steward".

"e-Commerce Steward" is an integrated e-commerce financing service platform comprising supply chain management, multi-channels for payment and settlement and on-line financing, and provision of services to upstream and downstream enterprises in the supply chain and companies in different professional markets. Utilizing internet, cloud services, big data and other technologies, "e-Commerce Steward" effectively solves the problem in respect of information flow, capital flow and logistics faced by traditional enterprises in the transformation to e-commerce through tailor-made application, comprehensive supply-and-demand management, multi-channels for payment and settlement, open platform management. "e-Commerce Steward" facilitates enterprises to achieve synergies from on-line and off-line development and provides enterprises with wider choices of value-added services to promote the transformation and upgrade of enterprises.

Enterprises may fully connect outlets sales with on-line sales, order collection with payment and settlement, production with marketing through "e-Commerce Steward". With "e-Commerce Steward", enterprises may manage fund settlement, purchase and sales, marketing and delivery and other segments of its own and upstream and downstream enterprises in the supply chain. Through the e-commerce financing cloud services provided by the Bank, enterprises are not required to establish their own platforms for the arrangement of e-commerce, significantly reducing time and costs of traditional enterprises to adopt e-commerce and promoting the innovation of production and operation.

Overseas Business and Diversified Operation

Overseas Business

In 2014, 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 Sydney branch successfully commenced operation. The applications for the establishment of Luxembourg subsidiary and Moscow subsidiary were successively approved by the local regulatory authorities. As of the end of 2014, we had established 15 overseas institutions in 13 countries and regions, forming an overseas network covering Asia, Europe, North America and Oceania. Total assets of our overseas branches and subsidiaries reached USD85,370 million, representing an increase of 47.0% compared to the end of the previous year. Net profit for 2014 was USD520 million, representing an increase of 43.6% compared to the previous year.

Major Subsidiaries

Currently, we have established an integrated business platform consisting of funds management, securities and investment banking, financial leasing and life insurance, which effectively promoted the implementation of our strategy of integrated business operations. Our subsidiaries have strived to support the Group by persistently improving their capabilities of providing professional services and market competitiveness. ABC Financial Leasing Co., Ltd. successfully piloted the innovative businesses of leasing cotton pickers in Xinjiang and sugar cane harvesters in Guangxi. The total premium of ABC Life Insurance Co., Ltd. exceeded RMB10 billion and its ranking in the industry was rising. Synergy of our diversified operation has been gradually achieved and our overall financial service capability was enhanced.

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 2014, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB533 million and RMB441 million, respectively. It recorded a net profit of RMB61 million for 2014.

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 HKD4.113 billion, 100% of which was held by the Bank. 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.

At 31 December 2014, the total assets and net assets of ABC International Holdings Limited amounted to HKD10,826 million and HKD4,962 million, respectively. It recorded a net profit of HKD377 million for 2014.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 and its registered capital was RMB3 billion, 100% of which was held by the Bank. The principal scope of business includes financial leasing, transfer of financing and leasing assets, fixed-income securities investments, acceptance of lease deposit from lessee, inter-bank lending, borrowing from financial institutions, overseas loan, disposal of leased items, financial consultation and other business approved by the CBRC.

At 31 December 2014, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB37,025 million and RMB4,096 million, respectively. It recorded a net profit of RMB160 million for 2014.

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 2014, ABC Life Insurance Co., Ltd. had total assets of RMB49,608 million and net assets of RMB1,800 million and the net profit for the year was RMB31.61 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.

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 a 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 2014, Agricultural Bank of China (UK) Limited had total assets of USD1,105 million and the net profit was USD4.8383 million.

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20 million. At 31 December 2014, Agricultural Bank of China (Luxembourg) Limited obtained all the necessary regulatory approvals for its establishment. However, Agricultural Bank of China (Luxembourg) Limited has not commenced operation.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB1,400 million. At 31 December 2014, Agricultural Bank of China (Moscow) Limited obtained the approval for its establishment in Moscow from the CBRC and the Central Bank of the Russian Federation. However, Agricultural Bank of China (Moscow) Limited has not commenced operation.

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 RMB31 million, 50% of which was held by the Bank. At 31 December 2014, ABC Hubei Hanchuan Rural Bank Limited Liability Company had total assets of RMB232 million, loans of RMB122 million, deposits of RMB167 million and net assets of RMB49 million and the net profit for the year was RMB7.7090 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 2014, ABC Hexigten Rural Bank Limited Liability Company had total assets of RMB194 million, loans of RMB123 million, deposits of RMB140 million and net assets of RMB32 million and the net profit for the year was RMB2.0183 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 2014, ABC Ansai Rural Bank Limited Liability Company had total assets of RMB275 million, loans of RMB138 million, deposits of RMB171 million and net assets of RMB39 million and the net profit for the year was RMB7.8148 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 2014, ABC Jixi Rural Bank Limited Liability Company had total assets of RMB232 million, loans of RMB136 million, deposits of RMB185 million and net assets of RMB45 million and the net profit for the year was RMB4.1554 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 2014, ABC Zhejiang Yongkang Rural Bank Limited Liability Company had total assets of RMB506 million, loans of RMB369 million, deposits of RMB272 million and net assets of RMB228 million and the net profit for the year was RMB10.0380 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 2014, ABC Xiamen Tong'an Rural Bank Limited Liability Company had total assets of RMB469 million, loans of RMB284 million, deposits of RMB352 million and net assets of RMB111 million and the net profit for the year was RMB7.7491 million.

Information Technology

During the reporting period, adhering to our general requirement of "operating with safe production, supported by technology services and driven by technology innovation", we advanced a number of key projects in respect of technology products in an orderly manner, which provide a solid technology support to the development of our businesses. In 2014, ten technology achievements of the Bank were awarded the "Banking Technology Development Award" by the PBOC and the Bank was granted six patent licenses by the State Intellectual Property Office.

We further supported the topic aspects of our business development and prioritized the development of the informatization projects of the topic aspects. The launch of the informatization projects of the Shanghai Free Trade Zone provided comprehensive support to the development of deposit business, loan business and payment and settlement business in the Free Trade Zone. We accelerated the system implementation of "Huinongtong" to facilitate the innovation of Huinong financial products and upgrade the management system so as to improve the payment facilities of rural banking. We also launched the second generation of payment system for the whole bank in compliance with the PBOC's requirement of establishing the second generation of payment system.

We continuously facilitated the implementation of key projects and fully launched the first stage of the fourth phase of BoEing, a new generation of core business system. We established Internet finance service platform and launched online data loan products. We actively arranged the mobile financial services and launched mobile applications for county customers and internet users. Mobile banking business covered four areas, namely major counter financial transactions, cardholder base, operation system platform and terminal types. We perfect the operation conditions, ancillary instruments and the selection, design and research and development and trial-run of basic data model of our big data platform.

We enhanced the establishment of a real-time backup center in Shanghai and a data center in Beijing. We set up a preliminary IT operation and management system for production, contingency or disastrous matters. The system satisfied our needs for multi-layered and extensive support for IT operation, maintenance and management after the massive data collection. Transaction volume increased steadily under safe and effective production operation. The average daily transaction volume of our core production system amounted to 228 million, representing an increase of 21.27% as compared to the previous year, while the highest daily transaction volume reached 297 million, which was in a leading position in the industry. The operation and service capability of our information system has been maintained at 99.9% for five consecutive years. The general capability of our production system also outperformed our peers in the industry. We actively introduced the ISO20000 IT service management system to raise the operation and maintenance standard level of the production system of the Bank. The effective contingency management facilitated our healthy development of business operation.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, adopting a market-oriented approach and adapting to the "new normal" economy and the transformation of the Bank, we restructured the Head Office. We optimized the structure of the County Area Banking Division by restructuring the Rural Industrial Banking and Urbanization Banking Department, County Area Policy and Banking Innovation Department and further improving the management of front, middle and back offices of our County Area Banking Business to adapt to the latest development trend of the construction of new urbanization and the operation system of new agriculture. In order to provide structural support to new businesses, we established Small and Micro Enterprises Banking Department to adapt to the specialized operation of small and micro enterprises business; we set up the Assets Management Department in order to enhance the marketing and research abilities of the assets management business; we implemented reform on inter-bank market business specialized operation and adjusted related institutions and functions accordingly; we established the Internet Banking Department and the Internet Banking Promotion Office for the application of Internet technology in our financial services. We set up the Operation Center so as to establish an integrated management system and an operation platform for back offices. We set up a data governance system and upgraded the Information Center as a tier-1 department to enhance the information governance. We reorganized our product research and development mechanism by placing greater emphasis on the product innovation capability of the front offices, improving the combination of business and technology within product innovation and shortening product research and development process. We established a new performance evaluation center to improve the mechanism of performance evaluation.

Focusing on the foundation-level staff, we optimized the job evaluation system in branch outlets to provide staff with more career development opportunities. We refined and strengthened the incentive system for managers and staff of branch outlets so as to facilitate their personnel development. We placed a special human resources operation and management system and successfully installed the new e-HR system.

Development and Cultivation of Human Resources

During the reporting period, adhering to our pepole-oriented principle, we put human resources as the major resources and core element for the reform and development of the Bank. We strengthened the training and development focusing on leading managers, professional talents and foundation-level backbone personnels. We further enhanced our selection and training system to facilitate the promotion of outstanding young management talents. We strengthened appraisal and evaluation system and conducted stringent management and supervision to build up a learning, innovative, practical and self-disciplined operation and management teams. We established a promotion mechanism to provide fast promotion for outstanding staff. We carried out the selection appointment for various professional positions in the Head Office and branches so as to improve staff career development paths. We also conducted management trainee program, young talent development program in the County Areas and international talents recruitment program to select key personnel urgently needed for business development. We adopted the different recruitment policies for urban and rural areas as well as different regions and prioritized the recruitment of frontline staff in County Areas to guide and encourage the staff to work in branch outlets.

We further developed the Agricultural Banking University by reinforcing the trainings of teachers, establishing internal training teams in the Head Office and branches and conducting the outstanding trainer selection. We also strengthened the course development and developed over 1,600 core courses in the Agricultural Banking University. Trainings at different levels and types were implemented through the Agricultural Banking University. The Head Office held 41 management training sessions directly for 3,419 person-times. The Head Office and branches arranged more than 500 rotational trainings for professional posts and more than 20,000 person-times were involved. About 2,000 training sessions for key positions, such as person-in-charge of outlets, elites and middle-aged employees in County Areas, young talents and new employees, were conducted for more than 130,000 person-times. We carried out qualification examinations with 162,000 person-times from 18 positions of the Bank so as to promote learning through examinations. The online academy of the Agricultural Banking University was further promoted and the total online learning hours were over 12.54 million. We continued to conduct special training programs, such as training program for supporting branches in Tibet and Xinjiang and "ABC Lecture".

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 business transformation. We also strengthened remuneration and benefits management of the branches, subsidiaries and senior management and refined long-term incentive measures such as deferred payment of performance-based wages. We also refined remuneration incentive system of key positions and talents. The remuneration allocation of the internal incentive and external competitiveness were improved. Minimum wages protection and differentiated allowance policy were established for foundation-level staff. We allocated more remuneration resources to branch outlets so as 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 market-based management of Annuity Scheme. We continued to strengthen investment management of Annuity Scheme and Retirement Benefits Fund to improve long-term investment return. The expenses of retired staff of the Bank were borne by the Retirement Benefits Fund and Annuity Scheme.

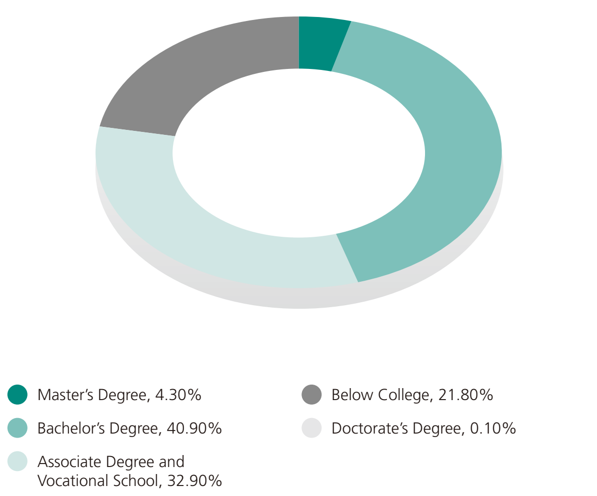
Information on Employees

We had 493,583 employees (and additional contracted employees of 24,088) at the end of 2014, representing an increase of 14,603 persons over the end of the previous year. Among our employees, 6,656 persons were employed at our major domestic subsidiaries and 584 persons were local employees at our overseas institutions.

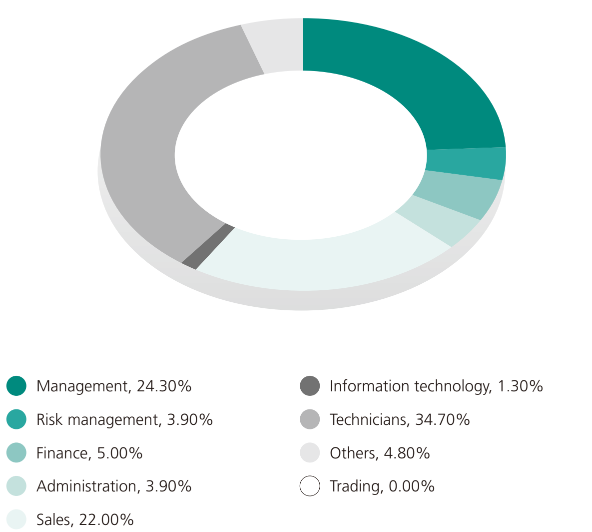
Distribution of Employees of the Bank by Regions

	31 December 2014	
	Number of Employees	Percentage (%)
Head Office	8,048	1.6
Yangtze River Delta	65,324	13.2
Pearl River Delta	53,473	10.8
Bohai Rim	67,240	13.6
Central China	107,167	21.7
Northeastern China	54,209	11.0
Western China	130,882	26.5
Subtotal of Domestic Branch Outlets	486,343	98.5
Major Domestic Subsidiaries	6,656	1.3
Overseas Institutions	584	0.1
Total	**493,583**	**100.0**

Distribution Chart of Employees of the Bank by Education Background



Distribution Chart of Employees of the Bank by Departments



Age of Employees of the Bank

	31 December 2014	
	Number of Employees	Percentage (%)
30 or below	101,400	20.5
31–40	83,594	16.9
41–50	222,363	45.1
51 or above	86,226	17.5
Total	**493,583**	**100.0**

Management of Branch Outlets

Domestic Branch Outlets

As at the end of 2014, we had 23,612 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), 353 tier-2 branches (including business departments of branches in provinces), 3,515 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 19,702 other establishments.

Number of Domestic Branch Outlets by Regions

	31 December 2014	
	Number of Domestic Branch Outlet	Percentage (%)
Head Office[1]	8	—
Yangtze River Delta	3,112	13.2
Pearl River Delta	2,584	10.9
Bohai Rim	3,369	14.3
Central China	5,246	22.2
Northeastern China	2,260	9.6
Western China	7,033	29.8
Total of Domestic Branch Outlets	**23,612**	**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 2014, we had eight overseas branches and two overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai, Tokyo, Frankfurt, Sydney branches and the Vancouver and Hanoi representative offices.

Major Subsidiaries

As at the end of 2014, we had nine major domestic subsidiaries and five major overseas subsidiaries. Please refer to "Discussion and Analysis — Business Overview — 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 "Sannong Banking Business" or "County Area Banking Business". During the reporting period, we proactively seized the "new normal" economic development trend and facilitated the transformation of County Area Banking Business by putting more emphasis on the key services of County Area Banking Business. We also enhanced product innovation, focused our efforts on enhancing capability to serve for County Areas and continued to consolidate our leading position in the County Areas.

Mechanism Reform

Product Research and Development

In line with the reform of product research and development system of the Bank, we established a product innovation coordination team for County Area Banking Business, specified the duties, authorities and the reporting paths between the Head Office and branches, and between front and back offices in respect of the research and development and regulated the innovation process of County Area Banking products. Based on the characteristics of the County Area financial market, we specified the direction of research and development of key products for new-type urbanization, operators of new agricultural business, productive service industry and rural financial products. We optimized financial services and developed new internet financial products for County Areas' market. In 2014, the Head Office introduced 18 new County Area Banking products and enhanced 4 products. Upon the reforms and integration, there were a total of 127 products exclusively for County Area Banking Business.

Credit Management

We further refined the credit policies for County Area Banking Business and revised the credit policies for agriculture-related industries such as sugar manufacturing, slaughtering and meatpacking, liquor manufacturing and dairy products manufacturing industries. We also optimized various credit policies such as pledge and security of agricultural products, entry threshold for tourist attractions, pledge and security of vessels, and authority delegation of business loans of rural households. We commenced the pilot centralized operation of rural household loans and strengthened post-disbursement and integrated management of rural household loans via the calling system. We also formulated management measures for loans related to small town establishment and reclamation of rural lands in order to further standardize the credit business for new-type urbanization.

Risk Management

We established risk management departments in sub-branches in the County Areas to ensure the sub-branches have necessary organizational structure, sufficient human resources and full performance of duties. We refined the new risk management tools for agriculture-related operation of professional large-scale operators and household farms by adjusting the scorecards for production and operation loans to rural individuals. We strengthened our risk monitoring systems and carried out risk inspection on industries with high risks in County Area, guarantee zones and prevention and solution of credit fraud so as to mitigate risks in a timely manner. We revised the management measures regarding the tolerance of non-performing loans of rural households and limited the tolerance level through IT system. We formulated risk disposal solutions relating to loans to rural households affected by natural disasters, which standardized the qualification and procedures of loans to the rural households affected by natural disasters and standardized risk disposal methods and risk management policies for loans to the rural households affected by natural disasters.

Fund and Capital Management

We continued to improve the value-oriented credit resources 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 for the pilot sub-branches of County Area Banking Division reform approved by the PBOC and further improved the efficiency of the use of funding in County Areas. In addition, we adopted differentiated pricing authorization for deposits and loans in County Areas according to the characteristics of County Area Banking Business.

Performance Management

We improved and implemented performance appraisal plans for the County Area Banking Sub-Division and major sub-branches in County Areas, as well as implemented a grading system in the appraisal plans for sub-branches in County Areas. We strengthened the appraisal of risk and compliance, and further increased the weights of risk compliance and enhanced credit risk appraisal. We focused on the development of key businesses, and strengthened the appraisal of key businesses in County Areas such as core deposits, agriculture-related loans, "Huinongtong" and "Projects with Thousands and Hundreds of Units".[1] Through methods such as performance appraisal and policy training, we strengthened the promotion and implementation of our strategies in order to encourage our branches and sub-branches to prioritize the development of key businesses.

1: *Projects with Thousands and Hundreds of Units refers to a series of development goals, market strategies and promotion measures of the Bank of rural industrial banking business during the period of the "12th Five-year Plan" that uses "thousands" and "hundreds" as measuring units. The project identified ten types of key customers and the expansion target during the period, among which five types of customers are measured in "thousands" and the other five types of customers are measured in "hundreds".*

Human Resources Management

We implemented a separate recruitment program and differentiated recruitment policy in County Areas to secure sufficient human resources for branch outlets. We proactively enlarged the team of staff in County Areas, increased the incentive for foundation-level managers, launched young talent development programs in County Areas and facilitated the cultivation of young talents in County Areas. We adopted salary incentive schemes in major County Area sub-branches and implemented institutional upgrade and presidents' rank upgrade in sub-branches in County Areas in order to encourage the development of key sub-branches in County Areas.

County Area Corporate Banking Business

During the reporting period, in response to the "Projects with Thousands or Hundreds of Units" and "Three Hundred Campaign" under our rural industrial banking business, we further strengthened the basic management and marketing and enhanced the innovation of products to consolidate and improve the competitive advantage of our corporate banking services in County Areas.

We promoted the "Projects with Thousands or Hundreds of Units" for rural industrial banking business. We made efforts in the sales to quality customers in County Areas and strived to increase the market share of high-end corporate clients in County Areas. We closely monitored the project progress and identified tier-3 core customers in County Areas. The expansion of customer base pursuant to the "Projects with Thousands or Hundreds of Units" was included into the assessment system for County Area Banking Division.

We launched the "Three Hundred Campaign" and selectively provided services to the top 100 national agricultural-based companies, 100 large-scale commodity circulation markets in County Areas and 100 major tourism counties. We accelerated the innovation of featured County Area products, introduced loans for rural land reclamation, loans for urbanization construction and financing for prepayment by core distributors of leading companies, and introduced innovative localized products in different branches such as loans for short-term liquidity of state-owned grain reserve agency companies for grain collection and storage, "Grain Loan" and "Milk Loan". We also introduced loans for eco-migration for poverty relief, loans for pledged receivables, government financing and assurance business, re-factoring and other businesses.

We supported the construction of "Beautiful Village". We issued guidance on our financial support to the construction of "Beautiful Village", and provided financial services for the construction of living environment for villagers, development of local leading industries, material project construction and consumption upgrade of rural households to effectively capture the demand for financial services, aiming to promote the rural economic and social development and improve the living conditions of rural households.

As of the end of 2014, the balance of deposits of corporate customers in County Areas was 1,501.5 billion, representing an increase of 25.5 billion compared to the end of previous year. Loans for corporate customers in County Areas (excluding discounted bills) amounted to 1,737.1 billion, representing an increase of 178.5 billion compared to the end of previous year.

County Area Retail Banking Business

During the reporting period, we facilitated the business transformation of loans to rural households and further improved "Huinongtong" project, resulting in an overall improvement in the service quality and a rapid and healthy development of the County Area Retail Banking Business.

Our support to new agricultural operators achieved remarkable results. Based on the survey on more than 1.4 million large-scale professional operators (family farms), we established a customer database of new agricultural operators and provided financial support to quality customers. As of the end of 2014, the Bank had provided support to a total of 140,000 new agricultural operators such as large-scale professional operators and family farms. We had a total of 87,000 customers with loans amounting to RMB17.4 billion, representing a net growth of RMB6.6 billion compared to the end of the previous year.

"Huinongtong" project maintained smooth progress. As of the end of 2014, the Bank had established 650,000 service stations and had 1.227 million electronic machines having 75.2% village coverage. We issued a total of 160 million Huinong Cards, representing an increase of 19.26 million cards. We secured the agency business of new rural insurance in 1,194 counties and developed new rural cooperative medical insurance projects in 819 counties. We secured a total of 6,471 agricultural-related agency projects such as agricultural-related financial subsidies and fees collection for public utility projects, representing an increase of 3,992 projects compared to the end of the previous year. The total balance of agency business amounted to RMB104.6 billion, representing an increase of RMB23.8 billion compared to the end of the previous year.

As of the end of 2014, the balance of deposits and loans for County Area Retail Banking Business amounted to RMB3,644.5 billion and RMB882.0 billion, representing an increase of RMB305.9 billion and RMB115.0 billion, respectively, compared to the end of the previous year.

Financial Position

Assets and Liabilities

As of 31 December 2014, the total assets of the County Area Banking Business reached RMB5,841,613 million, representing an increase of 6.65% compared to the end of the previous year. The total loans and advances to customers reached RMB2,651,646 million, representing an increase of 12.93% compared to the end of the previous year, which was 0.84 percentage point higher than that of the Bank. The balance of deposits from customers reached RMB5,312,573 million, representing an increase of 7.12% compared to 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 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	2,651,646	—	2,348,034	—
Allowance for impairment losses on loans	(144,352)	—	(127,833)	—
Loans and advances to customers, net	2,507,294	42.9	2,220,201	40.5
Intra-bank balance[1]	2,865,734	49.1	2,819,633	51.5
Other assets	468,585	8.0	437,501	8.0
Total assets	**5,841,613**	**100.0**	**5,477,335**	**100.0**
Deposits from customers	5,312,573	96.4	4,959,437	95.5
Other liabilities	196,574	3.6	232,361	4.5
Total liabilities	**5,509,147**	**100.0**	**5,191,798**	**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 2014, the profit before tax of our County Area Banking Business decreased by 0.6%, compared to the previous year to RMB76,820 million, primarily due to the adjustment of the rate of internal funds transfer, the decrease in net fee and commission income and the increase in impairment losses on 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

	2014	2013	Change	Growth Rate (%)
External interest income	166,526	144,389	22,137	15.3
Less: External interest expense	93,707	82,146	11,561	14.1
Interest income from intra-bank balance[1]	94,083	92,253	1,830	2.0
Net interest income	**166,902**	**154,496**	**12,406**	**8.0**
Net fee and commission income	28,196	29,215	(1,019)	-3.5
Non-interest income	2,980	2,374	606	25.5
Operating income	**198,078**	**186,085**	**11,993**	**6.4**
Less: Operating expenses	93,018	84,944	8,074	9.5
Impairment losses on assets	28,240	23,895	4,345	18.2
Total profit before tax	**76,820**	**77,246**	**(426)**	**-0.6**

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

Key Financial Indicators

In 2014, the return on average total assets of the County Area Banking Business was 1.05%, representing a decrease of 10 basis points compared to the previous year. The interest spread between deposits and loans was 4.77%, which was 56 basis points higher than that of the Bank. At 31 December 2014, the non-performing loan ratio of County Area Banking Business was 1.82%, representing an increase of 0.28 percentage point compared to the end of the previous year. The allowance to non-performing loans was 298.52% 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	2014	2013
Return on average total assets	1.05	1.15
Average yield of loans	6.54	6.44
Average cost of deposits	1.77	1.68
Net fee and commission income to operating income	14.23	15.70
Cost-to-income ratio	41.63	40.96

Item	31 December 2014	31 December 2013
Loan-to-deposit ratio	49.91	47.34
Non-performing loan ratio	1.82	1.54
Allowance to non-performing loans	298.52	352.85
Allowance to total loans	5.44	5.44

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 2014, we further improved our risk management system. We refined the risk management structure and risk management policies, as well as implemented the risk prevention obligations. We enhanced our risk mitigation capability and increased the risk prevention initiative and identification sensitivity. We fully strengthened the risk management of key areas and industries, enhanced management on wealth management and inter-bank market businesses, and carried out self-evaluation and special assessment of operation risks. The risk of the Bank maintained overall stable. The advanced approaches of capital management have been approved by the CBRC and there is a huge breakthrough in risk management techniques. We optimized risk management tools for County Area Banking Business to strengthen our support for the loan at county level. We continued to strengthen the comprehensive risk management concept and implement risk management which covers all kinds of risks to provide strong support for product innovation, business development and transformation.

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 among 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.

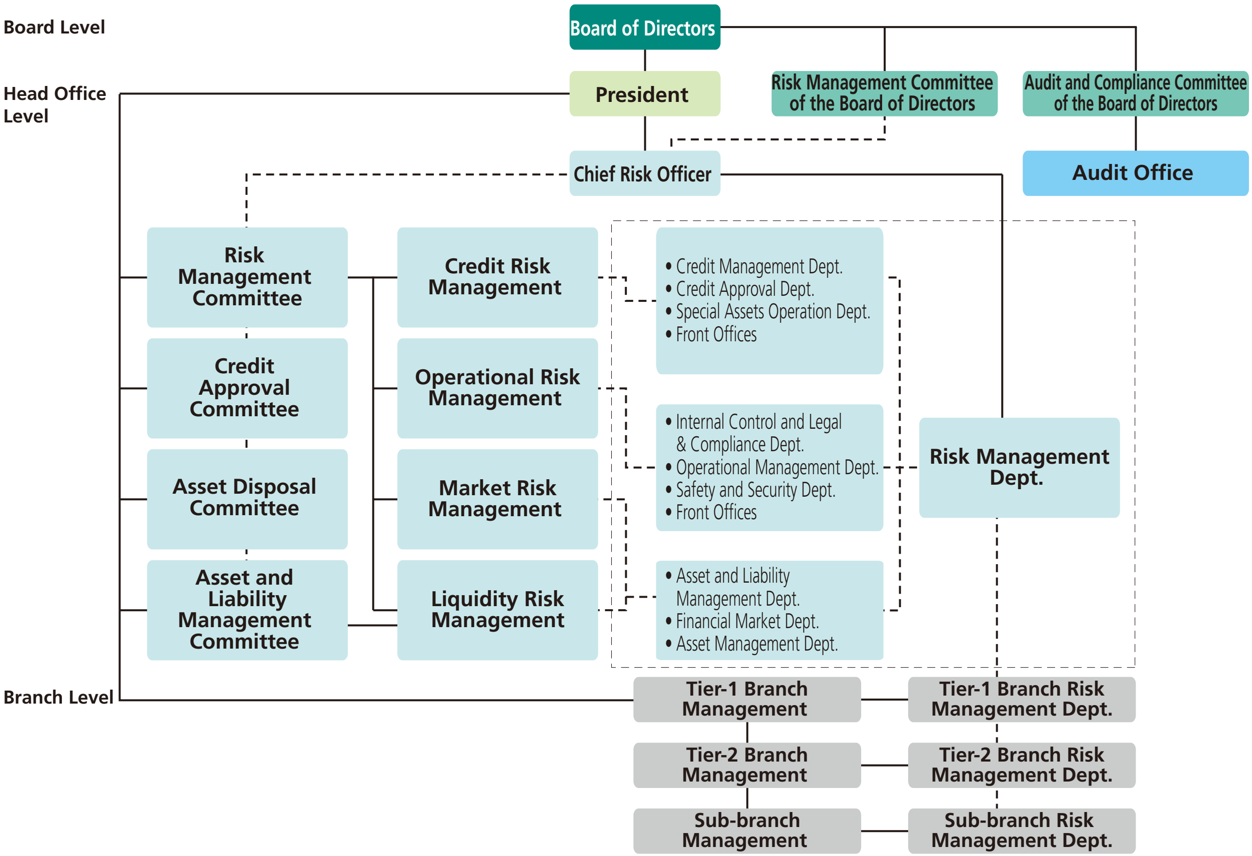
In 2014, the Bank adhered to the strategy of comprehensive, balanced and effective risk management and strictly implemented prudent and innovative risk appetite. Taking into account of the balance among capital, risk and revenue, we strengthened the guiding function of the economic capital. We implemented risk limit management comprehensively, and refined credit, market and operating risk limit management system. We adhered to our risk limitation policies and facilitated the effective integration of risk management and business development to improve our risk management capability.

Risk Management Organizational Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management Committee, the Audit and Compliance Committee under the Board of Directors perform the risk management functions, review the key risk management issues and supervise and evaluate the establishment 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 2014, we further refined the risk management organizational structure and post functions in our branches and sub-branches. We actively facilitated the establishment of risk management departments in sub-branches, effective allocation of human resources and satisfactory staff performance in order to ensure the efficient execution of risk management functions at our branch outlets. Risk management training was carried out to strengthen capability and performance of the risk management teams of the Bank.



Risk Management Structure

Risk Management System

In 2014, we continued to refine our risk management policy system. For credit risk management, we formulated administrative measures on credit concentration risk. Amendments were made to administrative measures and implementation rules on the internal rating-based risk exposure classification of credit risk for banking book, quantification of internal rating-based risk parameter, validation of internal rating system, internal rating for credit risk and calculation and management of risk-weighted assets. For market risk, we formulated the administrative measures on management policies for annual treasury transaction and investment and market risks management, value at risk (VaR) measurement, market risk model validation and emergency plan for material market risks. We also made amendments to the administrative measures on valuation of fund transaction and investment business. For operational risk, we formulated operational risk management policies.

Approval for the Implementation of Advanced Approach of Capital Management

In April 2014, the Bank has become one of the first batch of banks approved by the CBRC to implement the advanced approach of capital management. The scope of approval includes the implementation of non-retail Internal Ratings-Based (IRB) Approach, retail exposures IRB approach and Standardized Approach for operational risk. The approval marks a material breakthrough in our risk measurement technology and a comprehensive improvement in our risk management ability, and lays a solid management foundation for strengthening capital constraint, supporting County Areas and providing better services to the real economy.

We continued to improve the system of advanced approach of capital management. For credit risk, we revised the administrative measures and implementation rules of rating. Continuous efforts were made to validate the rating models and optimize risk parameters for more accurate prediction and identification of our internal rating models. Our prudent and accurate rating management was enhanced through the establishment of a dynamic rating adjustment mechanism. We further adjusted and optimized the approval standards and strengthened the rigid constraints of application score. We also adjusted credit card overdraft limit based on the grading of behavior score and continued to expand the depth and width of application score. Functions of our internal rating system were refined to facilitate the automation of default warning. **For market risk,** we improved the measurement of market risk by conducting comprehensive validation of the Internal Models Approach (IMA) for market risk and expanding its scope of application in market risk management. **For operational risk,** we improved the management rules and standards for loss data and continued to refine the Advanced Measurement Approach (AMA) calculation engine for operational risk. We also optimized the score cards to enhance the foreseeability and sensitivity of measurements.

The development of the Internal Capital Adequacy Assessment Process (ICAAP) was accelerated. We conducted the internal capital adequacy assessment for 2014 and the assessment report was reviewed and approved by the Board of Directors. We carried out the specific audit on the internal capital adequacy assessment process for 2014 to consolidate the basis of our capital management.

We disclosed the information of capital adequacy ratio in a timely manner. We formulated and published the *2013 Capital Adequacy Ratio Report*. We calculated the capital adequacy ratio of the half year and the third quarter of 2014 based on the advanced approach of capital measurement approved by the regulatory authorities and disclosed capital and risk related information.

We will further implement and apply the advanced approach of capital management. With optimized risk management tools and improved risk measurement technology, we will be able to take our risk management to a new level.

Risk Analysis and Reporting

In 2014, in response to changes in the macro-economic environment and the adjustments of industrial policies of the PRC, we enhanced the risk identification and monitoring in key sectors such as industries with overcapacity, the real estate industry and government financing vehicles. As such, the focus, timeliness and comprehensiveness of our risk analysis and reporting were enhanced. We promoted the establishment of the risk supervision and reporting IT system through utilizing the management tools, such as IRB, risk exposure limit, VaR and economic capital to further increase the quality of risk report.

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 2014, we tightened conditions for loan approval, improved limit management and strengthened risk inspection and monitoring. We also controlled risks in key areas, industries and products particularly, rejected customers with high risk and refined our risk mitigation measures. We persisted in prudent loan classification standards, made a great effort in collecting and disposal of non-performing loans, and controlled the re-bounce of non-performing loans, to maintain the stability of asset quality.

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 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 refined the policy for risk management. We regulated our business management through formulating administrative measures for supply chain financing business, and revised administrative measures for our businesses, including wealth management financing business, credits to group customers, credit guarantee, business cooperating with financing guarantee companies and reorganization of non-performing loans of corporate customers in order to standardize business management and strengthen risk prevention.

We enhanced risk prevention. Conditions for loans were tightened and we continued to carry out corporate customer list-based management so as to prevent lending loans to sectors with high risk and refine our credit structure. We enhanced industry-specific exposure limit management by controlling the limit for real estate industry and industries with high energy consumption, high pollution or overcapacity. In order to strengthen the management of loans to local government financing vehicles, we established a risk warning indicator system to strictly control the allocation of new loans and paid close attention to the changes in risk of existing loans to proactively enhance risk prevention. We took measures on risk management for potential significant risk exposure promptly and secured mortgage and guarantee with special caution. We also carried out specific credit risk management for key areas, industries and products, so as to proactively solve potential risks and support the sound growth of credit business.

We strengthened our post-disbursement management and collection and disposal of non-performing loans. Aiming to solve potential risks, we refined our post-disbursement management and monitoring of significant risk, and took risk prevention measures promptly. We also made a great effort to collect and dispose non-performing loans by developing new channels for disposal, transferring non-performing loans in batches, and improving the progress of write-offs of doubtful debt, to maintain our asset quality stable.

We promoted system construction. We improved our system for credit management and reporting system of credit risk events. We developed warning system for risk of SMEs, and innovated technologies, such as "early-warning" and "model-warning".

Risk Management of Retail Loans

We pushed forward the construction of business center for retail credit comprehensively by implementing grade classification management. We refined our risk management tools and retail rating model, so as to further enhance the risk identification and enrich the applications of scorecards for retail housing, business loans and consumption loans and rural retail production and operation loans. We carried out the evaluation of the retail rating deviation to improve its accuracy. We extended the application of retail rating, refined the entry threshold of application score and enhanced the tracking and post-disbursement management of customers with low score. We also set up a robust entry and withdrawal mechanism for customer managers to impose higher responsibilities on them in asset quality control. We continued to manage suspension and resumption of retail loan and strictly controlled the risks. We conducted stress tests on retail assets and formulated specific risk prevention plan. We also enhanced risk monitoring and analysis of the changes in the trend of risks, so as to find out potential business risks. We prevented retail loan risk through risk warning letter, quota control and enhancing guarantee management.

Risk Management of Credit Card Service

We formulated and implemented annual guidance on credit card risk management, operation rules of post-disbursement risk management for special loan instalment business and the operation rules of risk management for third-party payment companies, so as to standardize operation management. We expanded the coverage of credit card rating and extended the application of rating on the adjustment of limit of credit card limit and collection of overdue loans. We adjusted credit card granting authorization based on the changes in the trend of credit card business risk, refined the rules in the identification of fraud risk, and strengthened the investigation on fraud behaviors. We carried out the investigation of cash flow risk to prevent the risk in the cash advance service of credit card. We enhanced the entry threshold management, risk monitoring, inspection and treatment of merchants and third-party cooperative institutions, and improved the list of customers bearing higher risks. In addition, we continued to monitor risk of sub-branches and enhanced the risk warning in order to deal with risk events in a timely manner.

Risk Management of Treasury Operations

We formulated risk policy for proprietary business and further specified the guidelines of business risk. We implemented risk manager system and specialized risk managers are assigned to each business to monitor, analyze and manage risks in all aspects and enhance the independence of risk management. We refined the systems for investment project approval and customer management, modified operation rules and manuals of trading systems and enhanced the compliance evaluation of establishing new businesses. We have set up a set of sound regulations, enhanced our system construction, and centralized credit approval to the head office. We enhanced counterparty list-based management and the risk control of inter-bank market business and further reformed the inter-bank market business specialized operation.

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 for credit assets and enhanced the delicacy of classification management with strengthened risk alerts covering diversified scope and levels.

Credit Risk Analysis

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

In millions of RMB

Item	31 December 2014	31 December 2013
Balances with central banks	2,631,103	2,504,043
Deposits with banks and other financial institutions	572,805	397,678
Placements with and loans to banks and other financial institutions	407,062	308,655
Financial assets at fair value through profit or loss	413,167	321,811
Derivative financial assets	7,195	8,186
Financial assets held under resale agreements	509,418	737,052
Loans and advances to customers	7,739,996	6,902,522
Available-for-sale financial assets	922,017	778,944
Held-to-maturity investments	1,710,950	1,523,815
Debt securities classified as receivables	522,117	592,090
Other financial assets	128,188	103,024
Balance sheet items	15,564,018	14,177,820
Credit commitments	1,582,725	1,481,945
Total	**17,146,743**	**15,659,765**

Distribution of Loans by Collateral

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage of total loans (%)	31 December 2013 Amount	31 December 2013 Percentage of total loans (%)
Loans secured by mortgages	3,939,049	48.7	3,512,888	48.6
Loans secured by pledges	974,469	12.0	793,120	11.0
Guaranteed loans	1,388,288	17.1	1,296,613	17.9
Unsecured loans	1,796,261	22.2	1,622,092	22.5
Total	**8,098,067**	**100.0**	**7,224,713**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage of total loans (%)	31 December 2013 Amount	31 December 2013 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	73,139	0.9	34,893	0.5
Overdue for 91 to 360 days	56,457	0.7	21,910	0.3
Overdue for 361 days to 3 years	22,821	0.3	23,814	0.3
Overdue for more than 3 years	14,203	0.2	19,807	0.3
Total	**166,620**	**2.1**	**100,424**	**1.4**

Restructured Loans and Advances

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage of total loans (%)	31 December 2013 Amount	31 December 2013 Percentage of total loans (%)
Restructured loans and advances	**26,403**	**0.3**	**10,376**	**0.1**

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	72,848	0.90
Borrower B	Real estate	19,980	0.25
Borrower C	Mining	19,960	0.24
Borrower D	Production and supply of power, heat, gas and water	14,516	0.18
Borrower E	Construction	14,396	0.18
Borrower F	Transportation, logistics and postal services	13,535	0.17
Borrower G	Leasing and commercial services	12,116	0.15
Borrower H	Transportation, logistics and postal services	11,713	0.14
Borrower I	Transportation, logistics and postal services	11,265	0.14
Borrower J	Production and supply of power, heat, gas and water	10,521	0.13
Total		**200,850**	**2.48**

As of the end of 2014, the total loans granted to the largest single borrower and ten largest borrowers accounted for 5.23% and 14.43% of our net 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

	31 December 2014		31 December 2013	
Item	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Normal	7,661,924	94.62	6,860,589	94.96
Special mention	311,173	3.84	276,343	3.82
Non-performing loans	124,970	1.54	87,781	1.22
Substandard	35,052	0.43	25,388	0.36
Doubtful	75,669	0.93	52,162	0.72
Loss	14,249	0.18	10,231	0.14
Total	**8,098,067**	**100.00**	**7,224,713**	**100.00**

With slowing down economic growth and continuous progress over structural adjustment, production capacity reduction and de-leveraging, non-performing loans and non-performing loan ratio of the Bank increased. At the end of 2014, the balance of non-performing loans of the Bank was RMB124,970 million, representing an increase of RMB37,189 million compared to the end of previous year. The non-performing loan ratio increased by 0.32 percentage point to 1.54%. The balance of special mention loans was RMB311,173 million, representing an increase of RMB34,830 million compared to the end of previous year. Special mention loans accounted for 3.84% of total loans, representing an increase of 0.02 percentage point. In order to cope with the changing macro-economic environment and maintain the asset quality overall stable, the Bank took the following measures: (1) we established a complete and effective prevention and control system related to 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) we optimized the quality control mechanism for loans and strengthened the coordination and cooperation between the Head Office and branches as well as among front, middle and back offices. Efforts were also made to improve assessment; (3) we closely monitored macro-economic conditions and changes in industrial risks and made predictions on any changes in the trend of risks. Effective monitoring was carried out on special mention loans and overdue loans. We also inspected loans with high risks; (4) we carried out risk management on key sectors such as guarantee circle and industries with high energy consumption, high pollution or overcapacity. Relevant measures were adopted to mitigate risks; (5) we innovated the measures for disposal and undertook increasing efforts for collection, batch transfer and write-off of non-performing loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentage

	31 December 2014			31 December 2013		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	103,072	82.5	2.00	71,462	81.4	1.51
Of which: Short-term corporate loans	78,579	62.9	3.57	48,368	55.1	2.26
Medium- and long-term corporate loans	24,493	19.6	0.83	23,094	26.3	0.89
Discounted bills	—	—	—	24	—	0.03
Retail loans	21,052	16.8	0.88	15,425	17.6	0.74
Residential mortgage loans	4,980	4.0	0.32	3,787	4.4	0.29
Credit card balances	3,866	3.1	1.73	2,258	2.6	1.16
Personal consumption loans	2,048	1.6	1.00	1,418	1.6	0.70
Loans to private business	4,461	3.6	1.70	3,251	3.7	1.27
Loans to rural households	5,421	4.3	3.51	4,502	5.1	3.07
Others	276	0.2	20.25	209	0.2	13.94
Overseas and others	846	0.7	0.21	870	1.0	0.28
Total	**124,970**	**100.0**	**1.54**	**87,781**	**100.0**	**1.22**

At the end of 2014, the balance of corporate non-performing loans was RMB103,072 million, representing an increase of RMB31,610 million over the end of previous year. The non-performing corporate loan ratio increased by 0.49 percentage point to 2.00%. The balance of retail non-performing loans increased by RMB5,627 million to RMB21,052 million over the end of previous year, and the non-performing loan ratio increased by 0.14 percentage point to 0.88%.

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

	31 December 2014			31 December 2013		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	7	—	—	3	—	—
Yangtze River Delta	26,242	21.0	1.37	19,373	22.1	1.09
Pearl River Delta	16,790	13.4	1.51	12,407	14.1	1.22
Bohai Rim	26,727	21.4	1.93	16,603	19.0	1.33
Central China	18,656	14.9	1.83	14,075	16.0	1.57
Northeast China	5,368	4.3	1.71	4,927	5.6	1.78
Western China	30,332	24.3	1.68	19,523	22.2	1.23
Overseas and others	848	0.7	0.21	870	1.0	0.28
Total	**124,970**	**100.0**	**1.54**	**87,781**	**100.0**	**1.22**

In 2014, the balance of non-performing loans in Western China, Bohai Rim and Yangtze River Delta increased by RMB10,809 million, RMB10,124 million and RMB6,869 million, respectively.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2014 Amount	31 December 2014 Percentage (%)	31 December 2014 Non-performing loan ratio (%)	31 December 2013 Amount	31 December 2013 Percentage (%)	31 December 2013 Non-performing loan ratio (%)
Manufacturing	51,360	49.8	3.69	39,316	55.0	2.86
Production and supply of power, heat, gas and water	2,324	2.3	0.44	4,548	6.4	0.94
Real estate	5,580	5.4	0.96	3,521	4.9	0.66
Transportation, logistics and postal services	2,734	2.6	0.36	3,586	5.0	0.59
Wholesale and retail	31,460	30.5	5.93	12,305	17.2	2.36
Water, environment and public utilities management	586	0.6	0.28	836	1.2	0.43
Construction	1,705	1.7	0.82	1,055	1.5	0.53
Mining	2,046	2.0	0.80	267	0.4	0.13
Leasing and commercial services	604	0.6	0.15	1,370	1.9	0.41
Finance	207	0.2	0.37	—	—	—
Information transmission, software and IT service	145	0.1	0.86	194	0.3	0.79
Others	4,321	4.2	1.96	4,464	6.2	2.20
Total	**103,072**	**100.0**	**2.00**	**71,462**	**100.0**	**1.51**

At the end of 2014, the balance of non-performing loans increased most in three industries: (1) wholesale and retail; (2) manufacturing; and (3) real estate by RMB19,155 million, RMB12,044 million and RMB2,059 million over the end of previous year, respectively. The balance of non-performing loans decreased most in two industries: (1) production and supply of power, heat, gas and water; (2) transportation, logistics and postal services by RMB2,224 million and RMB852 million, respectively.

Changes to the Allowance for Impairment Losses

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2014	50,127	272,064	322,191
Charge for the year	48,603	16,460	65,063
— Addition	58,579	59,031	117,610
— Reversal	(9,976)	(42,571)	(52,547)
Write-offs and transfer-out	(25,772)	(3,450)	(29,222)
Transfer-in			
— Recoveries of loans and advances written-off in previous years	921	220	1,141
— Unwinding of discount on allowance	(688)	(314)	(1,002)
— Exchange difference	(97)	(3)	(100)
At 31 December 2014	**73,094**	**284,977**	**358,071**

Market risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as the 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, primarily including interest rate risk and exchange rate risk. Our risk management organizational structure comprises the Board of Directors and its risk management committee, senior management and its risk management committee, The Risk Management Department, the Asset and Liability Management Department and the business departments and institutions bearing market risk.

In 2014, the Bank consistently refined and promoted the application of the IMA system for market risk. The Bank also refined the approach for measurement of VaR and completed the comprehensive validation of IMA for the market risk. In addition, the Bank upgraded the information system for market risk and promoted the application of IMA in the measurement of the economic capital of market risk, limit management, risk inspection and report. We expanded the coverage of IMA and realized the data transmission with all branches and overseas subsidiaries.

Separation of Trading Book and Banking Book

To enhance the effectiveness of market risk management and the accuracy of the measurement of regulatory capital required for market risk, the Bank classified all of the on- and off-balance sheet assets and liabilities into the trading book and the banking book. The trading book includes 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 through methodologies such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration, exposure analysis and stress testing.

The Bank adopted a historical simulation method with a confidence level of 99% based on a holding period of 1 day and historical data for 250 days to measure the VaR for the trading book of the Head Office and branches. 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 reliability of the risk measurement model through data analysis, parallel modelling and back-testing.

VaR Analysis for Trading Book

In millions of RMB

Item	2014				2013			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	73	69	98	50	81	46	91	17
Exchange rate risk[1]	32	92	247	31	161	80	161	12
Commodity risk	36	21	36	2	31	17	51	2
Overall VaR	88	135	289	57	211	113	211	36

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

In the first half of 2014, the average and maximum VaR increased as compared to last year as the scale of trading book portfolio increased. Due to the decrease in the scale of portfolio and the decrease in volatility of bond yield, exchange rate and market price of precious metals, the VaR for the second half of 2014 decreased gradually. In 2014, the VaR of trading book recorded a slight increase as compared to the previous year.

Market Risk Management for Banking Book

The Bank managed the market risk of the banking book through the comprehensive use of relevant 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 primarily 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 2014, the interest rate risk of the Bank was kept within the specified range set by the Bank and the overall interest rate risk was effectively under control. The Bank paid close attention to the development trend of interest rate liberalization, followed up on the progress of various reforms, and strengthened analysis and prepared for the changes. The Bank persisted in prudent risk management strategies with an aim to minimize the impact of volatility of interest rate to our profitability by adjusting internal fund transfer pricing promptly and optimizing the flexibility of the interest rate authorization mechanism. The Bank also strengthened its monitoring and analysis of, as well as reporting on interest rate risk. Through conducting regular analysis using different approaches, such as gap analysis, duration analysis, static scenario simulation and stress testing, the Bank strengthened its analysis and forecast related to net interest margin, so as to enhance its capability to control interest rate risk.

Exchange Rate Risk Management

Exchange rate risk refers to risk due to mismatches in foreign 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 2014, the Bank carried out monitoring and sensitivity analysis of exchange rate exposure regularly and further improved its measurement and monitoring system for exchange rate risk. Through coordinating with the currency exchange business, the Bank managed to maintain a balanced portfolio of assets and liabilities denominated in various currencies. The Bank flexibly adjusted 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.

In 2014, the Bank further enhanced market risk exposure limit management. The Bank set different market risk exposure limits based on the types of products and risks and refined the categorization of limits. The Bank also introduced 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 2014, the accumulative negative gap sensitive to interest rate due within one year amounted to RMB85,120 million, representing a decrease of RMB198,961 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 2014	(2,304,785)	472,000	1,747,665	(85,120)	(195,491)	1,237,959	(105,693)
31 December 2013	(2,291,861)	548,216	1,459,564	(284,081)	(143,786)	1,200,426	(101,365)

Note: Please refer to "Note IV. 48. 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 2014 Movements in net interest income	31 December 2014 Movements in other comprehensive income	31 December 2013 Movements in net interest income	31 December 2013 Movements in other comprehensive income
Increased by 100 basis points	(11,600)	(23,485)	(11,922)	(19,330)
Decreased by 100 basis points	11,600	23,485	11,922	19,330

The interest rate sensitivity analysis above 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 the composition of our assets and liabilities at 31 December 2014, if interest rates instantaneously increase (or decrease) by 100 basis points, net interest income would decrease (or increase) by RMB11,600 million, and other comprehensive income would decrease (or increase) by RMB23,485 million.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In 2014, the mid-point rate of RMB depreciated against USD accumulatively by 221 basis points or 0.36%. At the end of 2014, our net foreign exchange exposure of financial assets/liabilities was USD-9,519 million, representing a decrease of USD11,385 million compared to the end of previous year.

Foreign Exchange Exposure

In million of RMB (USD)

	31 December 2014 RMB	31 December 2014 USD equivalent	31 December 2013 RMB	31 December 2013 USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(12,301)	(2,010)	(20,225)	(3,317)
Net foreign exchange exposure of overseas financial assets/liabilities	(45,944)	(7,509)	31,602	5,183
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	(58,245)	(9,519)	11,377	1,866

Note: Please refer to "Note IV. 48. 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 2014	Impact on profit before tax 31 December 2013
USD	+1%	(106)	(188)
	-1%	106	188
HKD	+1%	13	(93)
	-1%	(13)	93

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 RMB106 million if USD appreciates (or depreciates) against RMB by 1%.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost to settle amounts due or fulfil other payment obligations or carry out ordinary operation of business and other needs of funds.

The liquidity risk management of the Bank aims to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and comprehensive risk management system; to fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and the payment obligations under ordinary operating conditions or under stress on a timely basis, while effectively balancing both efficiency and security of our capital; to strengthen the liquidity risk management and monitoring of our branches, subsidiaries and all business lines to effectively prevent the overall liquidity risk of the group.

Liquidity Risk Management

We closely monitored the monetary policies and market changes and strengthened our research and forecasting of the macro-economic and financial environment, as well as the liquidity market. We strictly adhered to the risk limits and balanced the relationship among security, liquidity and profitability to secure our liquidity. By adjusting and refining the asset and liability structure, and securing sources of deposits, we ensured market financing channel smoothly and maintained the proportion of reserve assets with high liquidity 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 efficiency of capital operations. We strengthened monitoring and early-warning in respect of liquidity, and established an annual reporting mechanism to submit special reports to the Board so as to ensure timely information disclosure to the Board in respect of the updated condition and management of liquidity risk. According to the requirement under the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBRC, our Administrative Measures on Liquidity Risk and the Liquidity Contingency Plan were revised accordingly. The Bank implemented reform to centralize the management of excess reserve. Large and small amount payments of the PBOC were processed and settled only through the settlement accounts of the Head Office, to economize on the reserve and enhance the utilization efficiency of capital. The Bank refined the management tools for position and commenced the implementation of a liquidity management system to facilitate the real-time monitoring, early-warning and control of fund position. Cash flow measurement system and liquidity indicator monitoring system were also launched to enhance the timeliness and accuracy of measurement.

Liquidity Risk Analysis

In 2014, the monetary policy remained prudent. The PBOC maintained moderate sufficient total liquidity in the market by adjusting in two directions in an appropriate and timely manner, such as carrying out open market operations, implementing targeted reduction of deposit reserve ratio, and launching Medium-term Lending Facility ("MLF"), together with using Short-term Liquidity Operations ("SLO") and Pledged Supplementary Lending ("PSL"). Priced instruments were used when appropriate to decrease the market interest rates and reduce social financing cost. We continuously monitored the monetary policies, the changes in market liquidity, the development of our asset and liability business and our liquidity condition to increase the efficiency of fund using and ability to deal with liquidity risk on the condition of 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 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 2014	31,199	(7,219,512)	93,530	(268,594)	643,121	1,356,724	3,653,251	2,561,936	851,655
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

Note: *Please refer to "Note IV. 48. Financial Risk Management: Liquidity Risk to the financial statements" for details.*

We assessed liquidity risk through liquidity gap analysis. In order to boost the profitability of assets, we moderately extended asset duration. As a result, the positive gap over five years increased by RMB442,637 million compared to the end of the previous year.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk of 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 2014, the Bank formulated operational risk management policies to impose the responsibilities for operational risk management and to specify the measures and the basic requirements for operational risk management. The Bank commenced the application of AMA for operational risk of internal economic capital measurement which incorporated key risk indicators to promptly identify potential risks. Self-evaluation and special assessment on operational risks were continuously carried out. The self-evaluation coverage is 100%, and the special assessment on third-party payment was conducted. Business continuity strategy and contingency plan were improved to strengthen the safety and sustainable operation of business.

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 2014, the Bank innovated law popularization by carrying out various special training programs called "Lecture on Laws", convening public speech "ABC Lecture" on the topic of governing the country according to law, so as to establish a sustainable mechanism on law popularization and enhance the awareness of all staff in respect of legal risk control through multiple channels. The formulation, amendment, abolishment and alteration of regulations and rules were carried out to ensure compliance with the laws, regulations and regulatory provisions. Contract management was strengthened by consolidating and revising the standard contract template to enhance the protection of rights and interests of consumers. The Bank adopted new methods of legal inspection with focus on the research and promotion on legal inspection standards of internet financing, mixed operations in the financing industry and international financing businesses. Moreover, legal risk control was further strengthened by investigating and researching material cases of different categories so as to enable prompt identification of legal risks that may arise during business operation and management. Litigation management was also enhanced to optimize the handling of major cases to protect the legitimate rights and mitigate risks. The Bank cooperated with the Supreme People's Court to cope with unsettled cases and launched "Head-to-Head" online service system for assisting execution. In 2014, the Bank won the first place in the "Top 10 Listed Banks with Outstanding Legal Risk Management" selected by the Legal Daily and Research Centre on Management of Legal Affair of Enterprises of China University of Political Science and Law, and was named as one of the "Best Banks with Outstanding Legal Risk Management in China" by the China Banking Association.

Anti-Money Laundering

In 2014, we further reformed the operation model of Anti-Money Laundering ("AML") established a AML management system, made top-down design AML management structure, and established AML internal control rules of AML. We optimized the AML system with technological support, established money laundering risk assessment and classification management system. We also stepped up the education, training and promotion of AML and set up a professional team to handle AML issues to enhance the awareness and performance of all staff in respect of AML effectively. In addition, we actively cooperated with government authorities through carrying out AML administrative investigations. We established and optimized the AML compliance management system in our overseas branches to effectively perform the international AML obligations.

Consolidated Risk Management

Consolidated risk management refers to comprehensive and continuous identification, measurement, monitoring, reporting and assessment on the risks of subsidiaries which are consolidated to our financial statements through a series of risk management procedures, methodologies and technologies and the adoption of effective management measures to keep the overall risks of the Group at a controllable level.

In 2014, we continued to strengthen the consolidated risk management by regularly collecting consolidated risk information and reinforcing consolidated risk monitoring, analysis and reporting. We continued to motivate our subsidiaries and branches to improve their own risk management systems and refine their risk assessment policies, and specified the risk management responsibilities of the Bank and its subsidiaries in terms of synergy between each other. Furthermore, the consolidated risk reporting system was launched to centralize business data and risk data of subsidiaries and branches.

Reputation Risk Management

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.

In 2014, we conducted inspection on reputation risks, strengthened the public opinion analysis, warning and response guidance of our branches and business lines, and enhanced the risk isolation. We made efforts in the prevention of reputation risks by formulating specific preventive measures based on the type of each case and for each material risk event and imposing clear responsibility of risk prevention and control on the relevant personnel. We enhanced communications and interactions with the regulatory authorities and other banks in respect of prevention and control of reputation risks and analysis of public opinions. We organized trainings for spokespersons of the Bank, so as to enhance the overall quality of reputation risk management personnel. We also carried out quantitative evaluation on reputation risk in our capital adequacy assessment, specified reputation risk identification procedures and quantitative standards to promote reputation risk measurement and standardized management.

Country Risk Management

Country risk represents risk 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 or lead to business loss or other losses suffered by the Bank in that country or region.

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, monitor and analysis of risk factors and stress tests. We carried out rating and limit verification of country risk at least once per year and made timely adjustment based on risk status.

In 2014, we continued to strengthen the country risk management, refined the country risk management system and procedures, and improved the country risk management system. We closely monitored the daily changes of risk exposure, and tracked, monitored and reported country risk continuously. We also adjusted country risk rating and limit in a timely manner, and strengthened risk early-warning mechanism and performed stress test for country risk.

Capital Management

During the reporting period, we strictly complied with the capital plan for 2013–2015 and the capital adequacy ratio plan for 2013–2018, adhered to our general principle of capital management and the target of capital adequacy ratio, and enhanced the capital constraint and returns. The Bank also established a comprehensive and effective capital management mechanism, to ensure the capital adequacy ratio can cover risks, create value and comply with regulatory requirements continuously.

During the reporting period, we were approved by the CBRC to implement advanced approaches of capital management. We fully assessed the effect brought by the implementation of the advanced approaches of capital management, actively promoted the implementation work and took this opportunity to transform the business development model to capital-saving model.

Financing Management

On 20 May 2014, the Bank fully redeemed two tranches of subordinated bonds for a term of ten years in an aggregate principal amount of RMB25 billion issued in May 2009.

On 18 August 2014, upon the approval from the CBRC and PBOC, the Bank issued Tier 2 capital bonds of RMB30 billion in the national inter-bank bond market. The bonds are of a fixed rate for a term of 10 years. The coupon rate is 5.8% and the issuer is entitled to a conditional redemption right at the end of the fifth year.

In September 2014, we were approved to carry out a non-public issuance of no more than 800 million preference shares in tranches in the PRC with the proceeds of no more than RMB80 billion. On 13 November 2014, we completed the issuance of the first tranche of 400 million preference shares with the proceeds of RMB40 billion. On 18 March 2015, we completed the issuance of the second tranche of 400 million preference shares with the proceeds of RMB40 billion. For details of the issuance of preference shares, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Preference Shares".

Economic Capital Management

During the reporting period, focusing on the objectives of value creation and structural optimization, we continued to refine on- and off-balance sheet asset structure and further optimized the allocation of economic capital to enhance capital management consistently. Based on the improvement of the economic capital allocation among branches, we formed an economic capital constraint system for business lines, which consolidated the capital constraint and improved the efficiency of resources allocation.

Capital Adequacy Ratio Information

The Bank adopted Foundation IRB Approach for non-retail exposures and IRB Approach for retail exposures to measure credit risk-weighted assets. Weighting approach was adopted to measure credit risk-weighted assets uncovered by IRB Approach. Standardized Approach was adopted to measure market risk-weighted assets and operational risk-weighted assets. In accordance with the requirements under the *Capital Rules for Commercial Banks (Provisional)*, CBRC determines the parallel run period for a commercial bank approved to adopt the advanced capital measurement approaches. During the parallel run period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements. Due to the changes in calculation approach, requirements on regulatory adjustment and the capital floor requirement, the result of capital adequacy ratio was affected.

In millions of RMB, except for percentages

Item	The Group	The Bank
CET 1 capital, net	986,206	976,752
Additional Tier 1 capital, net	39,946	39,944
Tier 1 capital, net	1,026,152	1,016,696
Tier 2 capital, net	365,407	364,678
Net capital	1,391,559	1,381,374
Risk-weighted assets	10,852,619	10,782,764
Credit risk-weighted assets	8,839,230	8,763,153
Market risk-weighted assets	69,557	68,449
Operational risk-weighted assets	862,357	858,605
Additional risk-weighted assets due to the capital floor requirement	1,081,475	1,092,557
CET 1 capital adequacy ratio	9.09%	9.06%
Tier 1 capital adequacy ratio	9.46%	9.43%
Capital adequacy ratio	12.82%	12.81%

During the phase-in period, the consolidated and unconsolidated capital adequacy ratios calculated in accordance with the *Rules on Capital Adequacy of Commercial Banks* are shown below.

Item	The Group	The Bank
Core capital adequacy ratio	9.91%	9.92%
Capital adequacy ratio	12.77%	12.76%

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2014 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

Our leverage ratio is calculated and disclosed in accordance with the applicable regulatory requirements. At the end of 2014, our leverage ratio was 5.73%.

In millions of RMB

Item	31 December 2014
Tier 1 capital	1,031,375
Deductions from Tier 1 capital	5,223
On-balance sheet assets, adjusted[1]	15,935,975
Off-balance sheet assets, adjusted (exclusive of derivatives)[2]	1,965,257
On- and off-balance sheet assets, adjusted[3]	17,896,009
Leverage ratio	**5.73%**

Notes:

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 – Deductions from Tier 1 capital*

The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks promulgated by the CBRC.

Assessment Indicators of the Global Systematic Importance of Commercial Banks

In millions of RMB

Category	Item	Balance/ Amount in 2014
Size	1. Total adjusted on- and off-balance sheet assets	17,896,009
Interconnectedness	2. Intra-financial system assets	1,092,073
	3. Intra-financial system liabilities	967,165
	4. Securities outstanding	1,514,470
Substitutability	5. Payments activity (from the beginning of the year to the end of the reporting period)	230,952,436
	6. Assets under custody	4,964,042
	7. Underwritten transactions (from the beginning of the year to the end of the reporting period)	302,957
Complexity	8. Notional amount of OTC derivatives	1,021,989
	9. Trading and available-for-sale securities	73,942
	10. Level 3 assets	311,061
Global (cross-jurisdictional activity)	11. Cross-jurisdictional claims	196,786
	12. Cross-jurisdictional liabilities	395,778

Changes in Ordinary Shares

Details of changes in share capital

Unit: Share

	31 December 2013		Increase/decrease during the reporting period (+/-)			31 December 2014	
	Number of shares	Percentage[4] (%)	New shares issued	Others[3]	Subtotal	Number of shares	Percentage[4] (%)
1) Shares subject to restrictions on sales[1]	**9,891,764,707**	**3.0**	**—**	**—**	**—**	**9,891,764,707**	**3.0**
1. State-owned shares[2]	9,891,764,707	3.0	—	—	—	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	**314,902,352,293**	**97.0**	**—**	**—**	**—**	**314,902,352,293**	**97.0**
1. RMB-denominated ordinary shares	284,163,529,197	87.5	—	—	—	284,163,529,197	87.5
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.5	—	—	—	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]	9,891,764,707	—	—	9,891,764,707	Restrictions upon issuance	15 May 2015
Total	**9,891,764,707**	**—**	**—**	**9,891,764,707**	**—**	**—**

Note: 1. It 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.

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 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

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	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 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.

Details of Issuance and Listing of Securities

Issuance of Securities

In July 2013, the Bank's Hong Kong Branch established the USD5 billion Medium Term Note Programme (the "Programme"), which was listed on the Hong Kong Stock Exchange. The Bank updated the Programme by changing the issuer to the Bank and increasing the size to USD15 billion in July 2014. In 2013, the Bank's Hong Kong Branch issued medium-term notes in the principal amounts of RMB2,955 million and USD500 million under the Programme. In 2014, the Bank's Hong Kong Branch issued medium-term notes in the principal amounts of RMB17,586 million, USD2,859 million, HKD760 million, CHF275 million, JPY8,400 million, EUR220 million under the Programme and the Bank's Dubai Branch issued medium-term notes in the principal amount of RMB1,000 million under the Programme.

For the issuance of preference shares of the Bank, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders — Details of Preference Shares."

Employee shares

The Bank had no employee shares.

Particulars of Ordinary Shareholders

Number of shareholders and particulars of shareholding

At the end of the reporting period, the Bank had a total of 376,360 shareholders, including 27,749 H share shareholders and 348,611 A share shareholders. As of 18 March 2015 (the fifth trading day immediately preceding the date of the Bank's A share annual report), the Bank had a total of 567,406 shareholders, including 27,395 H share shareholders and 540,011 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	376,360 (as set out in the registers of A shares and H shares as of 31 December 2014)

Particulars of shareholding of the top 10 shareholders
(the data below are based on the registers of shareholders as of 31 December 2014)

Number of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+,-)	Shareholding percentage (%)	Total number of shares	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Huijin	State-owned	A shares	—	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	1,757,851	9.04%	29,352,457,991	—	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	5,118,554	1.48%	4,818,024,933	—	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
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	-199,359,528	0.37%	1,188,757,000	—	None
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 a nominee on behalf of all institutional and individual investors registered with it as of 31 December 2014.

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 2014)

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	29,352,457,991	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	4,818,024,933	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
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,188,757,000	A 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 2014, 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 registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. 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 state-owned financial assets. Huijin can exercise rights and assume obligations as an investor on behalf of the state to the extent of its capital contribution. 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 report for 2014 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2013. At 31 December 2013, the total assets of Huijin amounted to RMB2,650,373,613.0 thousand, total liabilities was RMB135,993,548.5 thousand and the owners' equity was RMB2,514,380,064.5 thousand in total. The net profit for 2013 was RMB450,150,738.8 thousand. The net cash flows generated from operating activities, investing activities and financing activities for 2013 amounted to RMB41,743,761.4 thousand.

As of 31 December 2014, the shareholdings of Huijin in its investees were as follows:

No.	Name of Institutions	Shareholding
1	China Development Bank Corporation	47.63%
2	Industrial and Commercial Bank of China Limited★☆[1]	35.12%
3	Agricultural Bank of China Limited★☆	40.28%
4	Bank of China Limited★☆	65.52%
5	China Construction Bank Corporation★☆	57.26%
6	China Everbright Group Ltd.	55.67%[2]
7	China Everbright Bank Company Limited★☆	41.24%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation	84.91%
10	New China Life Insurance Company Limited★☆	31.34%
11	China Jianyin Investment Limited	100.00%
12	China Galaxy Financial Holding Co., Ltd.	78.57%
13	Shenyin & Wanguo Securities Co., Ltd.	55.38%[3]
14	China International Capital Corporation Limited	43.35%
15	China Securities Co., Ltd.	40.00%
16	China Investment Securities Co., Ltd.	100.00%
17	China Everbright Industry Group Limited	100.00%
18	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
19	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: 1. ★represents A share listed company; ☆represents H share listed company.

2. On 8 December 2014, China Everbright Group was restructured into China Everbright Group Ltd. Huijin holds 55.67% equity interest in China Everbright Group Ltd. Huijin contributed 9 billion shares in China Everbright Bank and 100% equity interest in China Everbright Industrial (Group) Company Ltd. as its capital contribution in China Everbright Group Ltd. Transfers of such shares (or equity interests) are in progress.

3. Shenyin & Wanguo Securities Co., Ltd. merged with Hong Yuan Securities Co., Ltd. and formed Shenwan Hongyuan Group Co., Ltd., which is listed on Shenzhen Stock Exchange on 26 January 2015. Huijin holds 25.03% equity interest in Shenwan Hongyuan Group Co., Ltd. In addition, China Jianyin Investment Limited holds 32.89% equity interest in Shenwan Hongyuan Group Co., Ltd.

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 2014, there was no other corporate shareholder who held 10% or more 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 2014, 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
JPMorgan Chase & Co.	Beneficial owner	1,805,897,428 (H shares)	Long position	5.87	0.56
	Investment manager	144,052,544 (H shares)	Short position	0.46	0.04
	Custodian — corporation/ approved lending agent	640,839,673 (H shares)	Lending pool	2.08	0.20
Citigroup Inc.	Interest of controlled entity	2,456,453,485 (H shares)	Long position	7.99	0.76
	Custodian — corporation/ approved lending agent	95,488,303 (H shares)	Short position	0.31	0.03
	Security interest	2,370,406,333 (H shares)	Lending pool	7.71	0.73
Qatar Holding LLC	Beneficial owner	4,913,776,000 (H shares)	Long position	15.99	1.51
Qatar Investment Authority	Interest of controlled entity[4]	4,913,776,000 (H shares)	Long position	15.99	1.51
Blackrock, Inc.	Interest of controlled entity	2,149,795,281 (H shares)	Long position	6.99	0.66
		8,765,000 (H shares)	Short position	0.03	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 issued by the MOF on 5 May 2010.

2. According to the register of shareholders of the Bank, as of 31 December 2014, 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 2014, 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 4,913,776,000 H shares of the Bank held by Qatar Holding LLC, a wholly owned subsidiary of Qatar Investment Authority.

Details of Preference Shares

Issuance and Listing of Preference Shares

In September 2014, the issuance of no more than 800 million preference shares through private placements in the PRC by the Bank was approved. The issuance of preference shares shall be conducted in several tranches. The details of issuance of preference shares are set out below:

The Bank completed the issuance of the first tranche of preference shares on 13 November 2014. The total number of preference shares issued was 400 million and the amount of proceeds raised was RMB40 billion. Each preference share had a nominal value of RMB100 and was issued at nominal value. The coupon rate of the preference shares will be adjusted every five years. The dividend of the preference shares will be paid at an agreed fixed coupon rate annually during each dividend period. The coupon rate of the initial dividend period was determined at 6.00% per annum by a book-building procedure. On 28 November 2014, the issued preference shares were listed on the Shanghai Stock Exchange with stock name of 「農行優1」 and stock code of 360001. The proceeds from the issuance of the preference shares were used to replenish the additional tier-1 capital of the Bank in accordance with applicable laws and regulations and with the approval of the regulatory authorities.

The Bank completed the issuance of the second tranche of preference shares on 18 March 2015. The total number of preference shares issued was 400 million and the amount of proceeds raised was RMB40 billion. The nominal value, issuance price, the adjustment of coupon rate and method of dividend payment of the preference shares under the issuance were the same as those of the initial issuance of preference shares. The coupon rate of the initial dividend period was determined at 5.50% per annum by a book-building procedure. The stock name is 「農行優2」 and stock code is 360009. The proceeds from the issuance of the preference shares were used to replenish the additional tier-1 capital of the Bank in accordance with applicable laws and regulations and with the approval of the regulatory authorities.

For details of coupon rate, please refer to the announcements of the Bank, "Details of the Non-public Issuance of Preference Shares", and "Details of the Non-public Issuance of Preference Shares (second tranche)" published on the Shanghai Stock Exchange dated 14 November 2014 and 19 March 2015, respectively.

Number of Holders of Preference Shares and their Shareholdings

As of the end of the reporting period, the Bank had 26 holders[1] of preference shares of "農行優1" (stock code 360001). As of 18 March 2015 (being the fifth trading day immediately preceding the date of A share annual report), the Bank had 26 holders[2] of preference shares of "農行優1" (stock code 360001).

Particulars of shareholding of the top 10 holders of preference shares "農行優1" (Stock code 360001)

Unit: Share

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+,-)	Number of preference shares	Shareholding percentage (%)	Number of pledged or lock-up preference shares
Bank of Communications Schroder Fund Management Co., Ltd.	Other	Domestic preference shares	—	60,000,000	15.00%	None
China Merchants Fund Management Co., Ltd.	Other	Domestic preference shares	—	49,000,000	12.25%	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Other	Domestic preference shares	—	35,000,000	8.75%	None
Anbang Insurance Group Co., Ltd.	Other	Domestic preference shares	—	30,000,000	7.50%	None
Ping An Asset Management Co., Ltd.	Other	Domestic preference shares	—	30,000,000	7.50%	None
PICC Asset Management Company Limited	Other	Domestic preference shares	—	30,000,000	7.50%	None
Beijing International Trust Co., Ltd.	Other	Domestic preference shares	—	30,000,000	7.50%	None
Zhonghai Trust Co., Ltd.	Other	Domestic preference shares	—	20,000,000	5.00%	None
Bank of Ningbo Co., Ltd.	Other	Domestic preference shares	—	15,000,000	3.75%	None
Bank of Beijing Scotiabank Asset Management Co., Ltd.	Other	Domestic preference shares	—	12,000,000	3.00%	None

1 *The number of the holders of preference shares was calculated by the number of the qualified investors that hold the preference shares. When calculating the number of the qualified investors , an asset management institution that purchases the preference shares through two or more products under its control will be counted as one.*

2 *The Bank completed the non-public issuance of 400 million preference shares (second tranche) on 18 March 2015. The announcements of such issuance were published on the website of the Shanghai Stock Exchange. The number of holders of preference shares of "農行優2" (Stock Code 360009) is 27.*

The Bank is not aware of any connections between the above holders of preference shares and between the above holders of preference shares and top 10 ordinary shareholders or whether they are parties acting in concert.

Profit Distribution of Preference Shares

Dividends on the preference shares will be paid in cash and shall be paid annually. When the Bank resolves to cancel part or all of the dividends to holders of preference shares, such undistributed dividends shall not be accumulated to subsequent dividend periods. The holders of preference shares of the Bank, upon receiving dividends at the agreed rate, shall not participate together with ordinary shareholders in the distribution of the remaining profit.

During the reporting period, there was no payment date of dividend of the preference shares issued by the Bank.

Redemption and Conversion

During the reporting period, there was no redemption or conversion of preference shares issued by the Bank.

Restoration of Voting Rights

During the reporting period, there was no restoration of voting rights of preference shares issued by the Bank.

Accounting Policies

In accordance with Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments and Rules on the Financial Liability and the Equity Instruments and Relevant Accounting Treatment, the Bank is of the view that the terms of the issuance of preference shares conform to the accounting requirements of equity instruments. Therefore, the preference shares issued will be counted as equity instruments.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Age	Tenure
Incumbent Directors				
LIU Shiyu	Chairman, Executive Director	Male	53	2014.12–2017.12
ZHANG Yun	Vice Chairman, Executive Director, President	Male	55	2015.01–2018.01
LOU Wenlong	Executive Director, Executive Vice President	Male	57	2012.12–2015.12
ZHAO Chao	Non-executive Director	Male	56	2015.02–2018.02
ZHOU Ke	Non-executive Director	Male	48	2014.07–2017.07
ZHANG Dinglong	Non-executive Director	Male	58	2015.01–2018.01
CHEN Jianbo	Non-executive Director	Male	51	2015.01–2018.01
HU Xiaohui	Non-executive Director	Male	55	2015.01–2018.01
XU Jiandong	Non-executive Director	Male	51	2015.02–2018.02
Anthony WU Ting-yuk	Independent Non-executive Director	Male	60	2012.01[2]–
QIU Dong	Independent Non-executive Director	Male	57	2012.01[2]–
Frederick MA Si-hang	Independent Non-executive Director	Male	63	2014.06–2017.06
WEN Tiejun	Independent Non-executive Director	Male	63	2014.06–2017.06
Francis YUEN Tin-fan	Independent Non-executive Director	Male	62	2013.03–2016.03
XIAO Xing	Independent Non-executive Director	Female	44	2015.03–2018.03
Incumbent Supervisors				
CHE Yingxin	Chairman of the Board of Supervisors	Male	60	2015.01–2018.01
WANG Xingchun	Supervisor Representing Shareholders	Male	50	2014.06–2017.06
JIA Xiangsen	Supervisor Representing Employees	Male	59	2013.05–2016.05
ZHENG Xin	Supervisor Representing Employees	Male	56	2014.12–2017.12
XIA Zongyu	Supervisor Representing Employees	Male	50	2013.05–2016.05
XIA Taili	Supervisor Representing Employees	Male	52	2014.12–2017.12
DAI Genyou	External Supervisor	Male	65	2012.10[3]–
Incumbent Senior Management				
ZHANG Yun	Vice Chairman, Executive Director, President	Male	55	2009.01–
CAI Huaxiang	Executive Vice President	Male	55	2010.02–
GONG Chao	Executive Vice President, Secretary of the Party Discipline Committee	Male	55	2012.03–
LOU Wenlong	Executive Director, Executive Vice President	Male	57	2012.09–
WANG Wei	Executive Vice President	Male	52	2013.12–
LI Zhenjiang	Executive Vice President	Male	44	2013.10–
ZHU Gaoming	Secretary to the Board of Directors	Male	50	2014.05–

Name	Position	Gender	Age	Tenure
Former Directors, Supervisors and Senior Management				
JIANG Chaoliang	Former Chairman, Executive Director	Male	57	2012.01–2014.08
GUO Haoda	Former Executive Director, Executive Vice President	Male	57	2012.12–2014.09[4]
SHEN Bingxi	Former Non-executive Director	Male	63	2012.01–2015.01
LIN Damao	Former Non-executive Director	Male	60	2012.01–2014.08
CHENG Fengchao	Former Non-executive Director	Male	55	2012.01–2015.01
LI Yelin	Former Non-executive Director	Male	61	2011.07–2014.07
XIAO Shusheng	Former Non-executive Director	Male	59	2012.02–2015.01
LIU Hong	Former Supervisor Representing Shareholders	Male	46	2012.01–2014.04
ZHANG Jianzhong	Former Supervisor Representing Employees	Male	59	2013.05–2014.12

Notes:

1. *Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for the information relating to the changes in Directors, Supervisors and senior management.*
2. *The term of office of Mr. Anthony WU Ting-yuk and Mr. QIU Dong expired in January 2015. Mr. Anthony WU Ting-yuk and Mr. QIU Dong will continue to perform their duties as Independent Non-executive Directors before the CBRC ratifies the eligibilities of both of the newly nominated Independent Non-executive Directors to meet the requirement that the Independent Non-executive Directors shall represent at least one-third of the Board.*
3. *Mr. DAI Genyou resigned as an external Supervisor and the member of Due Diligence Supervision Committee due to other work commitment on 26 November 2014. According to the Articles of Association, Mr. DAI Genyou will continue to perform his duties as a Supervisor before the appointment of new external Supervisor.*
4. *Mr. GUO Haoda's term of office as an Executive Director is listed in the table above. His term of office as an Executive Vice President of the Bank commenced since January 2009.*

Biography of Directors, Supervisors and Senior Management

Biography of Directors

LIU Shiyu　Chairman, Executive Director

Mr. LIU Shiyu received a master degree in technological economics from Tsinghua University and is a research fellow. He has served as the Chairman and an Executive Director of the Bank since December 2014. Mr. LIU Shiyu used to work successively in the Economic System Restructuring Office of the Shanghai Municipal Government and the State Economic System Restructuring Committee. He later served as a deputy director of the Real Estate Loan Department of China Construction Bank, assistant inspector and deputy director of the Banking Department of People's Bank of China (the "PBOC"), deputy director and director of the Banking Supervision Department II of the PBOC, and director of the General Office of the PBOC. He served as assistant governor of the PBOC in July 2004 and deputy governor of the PBOC in June 2006.

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 the Bank. Mr. ZHANG was appointed as executive assistant president and general manager of Personnel Department of the Bank in March 2001, and executive vice president of the Bank 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, vice chairman of National Association of Financial Market Institutional Investors, and the executive director of the 2nd Committee of China Center for International Economic Exchanges.

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 the head of management department of Shanghai Branch of the Bank, 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.

ZHAO Chao   Non-executive Director

Mr. ZHAO Chao holds a Bachelor's degree and is a Statistician. He currently works with Central Huijin Investment Ltd. 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.

ZHOU Ke Non-executive Director

Mr. ZHOU Ke holds a Bachelor's degree. He currently works with Central Huijin Investment Ltd. He has served as Non-executive Director of the Bank since July 2014. Mr. ZHOU started working with the MOF in 1988, and served successively as deputy director of Water Resources Division of Department of Agriculture, director of the Science and Technology Division, director of Project Management Department III and director of Policy Research Department of the National Agricultural Comprehensive Development Office, deputy director of the National Agricultural Comprehensive Development Evaluation Center, and deputy director of the National Agricultural Comprehensive Development Office.

ZHANG Dinglong Non-executive Director

Mr. ZHANG Dinglong received a Doctor's degree in law from Minzu University of China. He currently works with Central Huijin Investment Ltd. Mr. ZHANG has served as Non-executive Director of the Bank since January 2015. He used to serve as deputy director (in charge) of Issue Division of the Liaison Office of the Rural Policy Research Department of the Secretariat of the Central Committee and Rural Development Research Center of the State Council, division head and deputy director of the Rural Economy Research Department, director of the Secretariat Department, deputy director of the Security Committee and chairman of the Labor Committee of State Council Research Office. He is a representative of the 11th and 12th National People's Congress and a special supervisor of the Supreme People's Court.

CHEN Jianbo Non-executive Director

Mr. CHEN Jianbo received a Doctor's degree in management from Renmin University of China. He currently works with Central Huijin Investment Ltd. Mr. CHEN has served as Non-executive Director of the Bank since January 2015. He used to serve as an assistant research fellow and deputy director of the Rural Policy Research Office of the Central Committee and the Enterprise Research Division of the Development Research Department of the Rural Development Research Center of the State Council, division head and research fellow of the Rural Department of the Development Research Center of the State Council, counsel of the Central Financial Affairs Leading Group Office and the Rural Group 1 of the Central Rural Affairs Leading Group Office.

HU Xiaohui Non-executive Director

Mr. HU Xiaohui holds a bachelor's degree and is an Economist. He currently works with Central Huijin Investment Ltd. Mr. HU has served as Non-executive Director of the Bank since January 2015. He used to be a deputy director of Xiangtan Group, deputy director (in charge) of Yiyang Group, deputy director (in charge) of the general office, deputy director and director of the general division, director of the Division I, assistant commissioner, secretary of the party committee, deputy counsel, deputy inspection commissioner and discipline inspection team leader of Office of the Finance Discipline Inspection Commissioner of MOF in Hunan Province.

XU Jiandong Non-executive Director

Mr. XU Jiandong holds a bachelor's degree. He currently works with Central Huijin Investment Ltd. Mr. XU has served as Non-executive Director of the Bank since February 2015. He used to work with the State Administration of Foreign Exchange (the "SAFE") successively in several positions, including deputy director of the Market Exchange Rate Division of the Balance of Payment Department, director of the Banking Foreign Exchange Balance of Payment Management Division of the Balance of Payment Department, deputy counsel of the Balance of Payment Department. He also used to serve as deputy director of the Financial Affairs Office of Jilin Province and deputy counsel of the Management and Inspection Department of the SAFE.

Anthony WU Ting-yuk Independent Non-executive Director

Mr. Anthony WU Ting-yuk is a fellow of the Institute of Chartered Accountants in England and Wales, 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 the Hong Kong Hospital Authority, chairman of Far East and China, Ernst & Young PLLC, chairman of the Hong Kong General Chamber of Commerce and chairman of Bauhinia Foundation Research Center. Mr. WU is currently serving as the chairman of China Oxford Scholarship Fund, a director of the Hong Kong General Chamber of Commerce, and chief advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd. Mr. WU is also serving as an independent non-executive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited and Power Asset Holdings 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 and member of Expert Advisory Committee on Reforms and Development of Chinese Medicine (中醫藥改革發展專家諮詢委員會委員), an honorary professor of Faculty of Medicine of The Chinese University of Hong Kong, 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 Special Administrative Region.

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 National 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 Instructive Committee of Economics of High School of Ministry of Education (教育部高等學校經濟學教學指導委員會), 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. He is currently serving as an independent non-executive director of China Cinda Asset Management Co., Ltd.

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 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, and non-executive director of MTR Corporation Limited. Mr. MA is currently a member of the international advisory council of China Investment Corporation, a senior advisor of China Strategic Holdings Limited, a director of Husky Energy Inc., external director of COFCO Limited, an independent non-executive director of Aluminum Corporation of China Limited, an independent non-executive director of FWD Group 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 professor of Faculty of Business Administration of the Chinese University of Hong Kong, an honorary doctor of Lingnan 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 and a member of the global advisory committee of the Bank of America 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 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 Independent Non-executive Director of the Bank since May 2011. He used to serve concurrently as the head of school of Agricultural Economics and Rural Development of Renmin University of China, a 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. 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 and Fujian Province of the PRC. Mr. WEN was elected 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, a researcher of the Research Center for Rural Economy of Ministry of Agriculture of the PRC and the deputy chief of office of Rural Reform Pilot Area.

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 CPPCC. He is now a non-executive vice chairman of Pacific Century Regional Developments Limited, and has served as 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 Kee Shing (Holdings) Limited (currently known as Gemini Investments (Holdings) Limited) and an independent non-executive director of China Pacific Insurance Group Co., Ltd. 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.

XIAO Xing Independent Non-executive Director

Ms. XIAO Xing holds a PhD in accounting. She is currently the chair of Accounting Department of School of Economics and Management and associate professor with long-term contract of Tsinghua University. She has served as Independent Non-executive Director of the Bank since March 2015. During her tenure, she visited Harvard University,Massachusetts Institute of Technology, University of Wisconsin for study or as a senior visiting scholar. She was elected as a Fulbright scholar in 2011. Ms. XIAO Xing used to serve as a member of the expert panel of China Development Bank, an independent consultant for the World Bank and an independent director of Beijing Thunisoft Corporation Limited. She concurrently serves as a board member of the Finance and Cost Sub-society of the Accounting Society of China, a member of the Teaching Collaboration Committee for Accounting of Universities in Beijing, an editor and editorial board member of China Accounting Review, a senior research fellow of Corporate Governance Research Centre of Tsinghua University, and an independent director of Rongxin Power Electronic Co., Ltd., Anhui Liuguo Chemical Co., Ltd. and GoerTek Inc., respectively.

Biography of Supervisors

CHE Yingxin Chairman of 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 ("CPC") 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 Committee of China Business Executives Academy, Dalian.

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

WANG Xingchun　Supervisor Representing Shareholders

Mr. WANG Xingchun received a Master's degree in economics from the Graduate School of the PBOC and is a Senior Economist. He has served as the Supervisor representing shareholders of the Bank since June 2014. Mr. WANG previously served successively in several positions in the Bank, including deputy chief of the Policy Research Division of the Research Office, chief of the Policy Research Division of the Development Planning Department, assistant to general manager of the Market Development Department, deputy general manager of the Market Development Department and deputy general manager of Training Department. He was appointed as vice president of Tianjin Training Institute of the Bank in February 2002, general manager of the Legal Affairs Department of the Bank in November 2003, general manager of the Legal and Compliance Department of the Bank in June 2006, general manager of the Legal Affairs Department of the Bank in July 2008, supervisor representing employees and general manager of the Legal Affairs Department of the Bank in April 2009, supervisor representing employees and branch principal of the Audit Office's Affiliated Office of the Bank in March 2011, branch principal of the Audit Office's Affiliated Office of the Bank in July 2011, and director of Office of the Board of Supervisors in March 2014.

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 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 currently serving as the deputy director-general of China Association for Promotion of Science & 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 Supervisor representing employees of the Bank since July 2011. He previously served as the assistant to the director of the Personnel Department in Shanghai branch, director of the Personnel and Education Department of Shanghai Pudong branch, deputy director of the Personnel Department, deputy director and director of the Finance and Accounting Department, secretary of Party Committee and president of Xuhui Sub-branch, member of Party Committee and vice president of Shanghai branch, deputy secretary of Party Committee (in charge), secretary of Party Committee and president of Anhui branch of the Bank, secretary of Party Committee and president of Shanghai branch of the Bank and general manager of the Internal Control and Compliance Department of the Bank. He has served as the general manager of the Internal Control and Legal & Compliance Department of the Bank since July 2011.

XIA Zongyu　Supervisor Representing Employees

Mr. XIA Zongyu holds a Master's degree and is a Senior Economist. Mr. XIA has served as Supervisor representing employees of the Bank since May 2013. He used to serve in several positions in the Executive Office of the Bank, including deputy chief of the General Division, deputy chief and chief of the Policy Research Division, and chief of the Document Management Division. Mr. XIA was appointed to several positions in the Bank, 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 Labour Union Affairs Department in November 2012 and director of the Labour Union Affairs Department in January 2013.

XIA Taili Supervisor Representing Employees

Mr. XIA Taili graduated with a college diploma. He has served as Supervisor representing employees of the Bank since December 2014. He used to serve as deputy director of the General Department in the Third Discipline Inspection Office of the Central Commission for Discipline Inspection, and at the same time as deputy secretary of the CPC County Committee in Zhangpu County, Fujian Province. He used to serve in several positions with the Central Commission for Discipline Inspection, including director level inspector, supervisor and deputy director of the General Department in the Third Discipline Inspection Office, director level inspector and supervisor of the Second Discipline Inspection Office, director of the Second Department and the General Department in the Second Discipline Inspection Office, deputy bureau level discipline inspection commissioner and supervisor in the Second Discipline Inspection Office, deputy bureau level discipline inspection commissioner and supervisor in the Seventh Discipline Inspection Office and director (department manager) of the Inspection Work Leading Group Office of the Bank. He served as deputy secretary of the CPC Discipline Committee and general manager of the Inspection and Supervision Department of the Bank since April 2014. He has served as director of the Inspection and Supervision Office of the Bank since March 2015.

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 has served as the external Supervisor of the Bank since October 2012. He previously served in several positions in the PBOC, 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 CPC), chief of Monetary Policy Department and secretary-general of Monetary Policy Committee, director of Credit Information System Bureau, director of Credit Information System Bureau and Credit Service Center, director of Credit Information System Bureau and director of 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 and 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. He concurrently serves as the vice chairman of the 5th Committee of China International Finance Society.

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 personnel 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 in several positions in the Bank, including 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, general manager of the Human Resources Department and chief officer of the Sannong Business. He is concurrently the vice chairman of the fourth committee of Chinese Society of Financial Ideological and Political Work and a member of the fourth national standing committee of Chinese Financial Association.

LI Zhenjiang   Executive Vice President

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 of the Bank since October 2013 and the president of Beijing Branch of the Bank since April 2014. 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. Mr. LI is currently working as the head of Financial and Accounting Committee of the China Banking Association.

ZHU Gaoming   Secretary to the Board of Directors

Mr. ZHU Gaoming received a Master's degree in Economics from Fudan University and a Master's degree in Business Administration from University of Sheffield. He is also a Senior Economist. He has served as the secretary to the Board since May 2014. Mr. ZHU previously served in several positions in Agricultural Bank of China, including deputy director of International Business Management Division, deputy general manager and general manager of International Business Department and general manager of Foreign Exchange Business Department of Shanghai Branch. He was appointed as vice president of Shanghai Branch in February 2004, vice president and president of Jiangsu Branch in December 2006 and December 2008, respectively. Mr. ZHU was appointed as general manager of Corporate Banking Department and Small Enterprise Finance Department and concurrently as general manager of Investment Banking Department (secondary department level) of the Bank in May 2010, and general manager of the Credit Approval Department of the Bank since May 2011.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 23 June 2014, Mr. Frederick MA Si-hang and Mr. WEN Tiejun were re-elected as Independent Non-executive Directors of the Bank and Mr. ZHOU Ke was elected as a Non-executive Director of the Bank at the 2013 Annual General Meeting. The eligibility of Mr. ZHOU Ke was ratified by the CBRC on 31 July 2014.

On 28 July 2014, Mr. LI Yelin resigned as a Non-executive Director of the Bank due to the expiry of the term of office.

On 5 August 2014, Mr. LIN Damao resigned as a Non-executive Director of the Bank due to his age.

On 31 August 2014, Mr. JIANG Chaoliang resigned as the Chairman and an Executive Director of the Bank due to other work commitment.

On 9 September 2014, Mr. GUO Haoda resigned as an Executive Director of the Bank due to other work commitment.

On 5 December 2014, Mr. LIU Shiyu was elected as an Executive Director of the Bank at the 2014 First Extraordinary General Meeting and he was elected as the Chairman of the Board at the Board meeting held on the same date. The eligibility of Mr. LIU Shiyu was ratified by the CBRC on 11 December 2014.

On 5 December 2014, Mr. ZHAO Chao was re-elected as a Non-executive Director of the Bank and Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong were elected as Non-executive Directors of the Bank at the 2014 First Extraordinary General Meeting. The eligibility of Mr. HU Xiaohui was ratified by the CBRC on 14 January 2015. The eligibilities of Mr. ZHANG Dinglong and Mr. CHEN Jianbo were ratified by the CBRC on 15 January 2015. The eligibility of Mr. XU Jiandong was ratified by the CBRC on 28 February 2015.

On 15 January 2015, Mr. ZHANG Yun was re-elected as an Executive Director of the Bank and Mr. LU Jianping and Ms. XIAO Xing were elected as Independent Non-executive Directors of the Bank at the 2015 First Extraordinary General Meeting. The eligibility of Ms. XIAO Xing was ratified by the CBRC on 6 March 2015 and the eligibility of Mr. LU Jianping was subject to the ratification by the CBRC.

On 16 January 2015, Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng resigned as Non-executive Directors of the Bank due to the expiry of their terms of office.

Changes in Supervisors

On 24 April 2014, Mr. LIU Hong resigned as a Supervisor representing Shareholders and a member of the Due Diligence Supervision Committee of the Bank due to other work commitment.

On 23 June 2014, Mr. WANG Xingchun was elected as a Supervisor representing Shareholders at the 2013 Annual General Meeting.

On 26 November 2014, Mr. DAI Genyou resigned as an external Supervisor and a member of the Due Diligence Supervision Committee of the Bank in accordance with relevant regulations. The resignation was considered and approved by the Board of Supervisors. As the resignation of Mr. DAI Genyou will result in insufficient number of external supervisors as required by the relevant laws and regulations and the Articles of Association, Mr. DAI Genyou will continue to perform his aforesaid duties before a new external supervisor is elected by the Shareholders' General Meetings of the Bank.

On 2 December 2014, Mr. ZHENG Xin and Mr. XIA Taili were elected as Supervisors representing employees of the Bank at the employees' conference. Mr. ZHANG Jianzhong resigned as Supervisor representing employees and a member of the Due Diligence Supervision Committee of the Bank due to other work commitment.

Changes in Senior Management

On 25 March 2014, Mr. ZHU Gaoming was appointed as the secretary of the Board, the company secretary and an authorised representative of the Bank at the second Board meeting for 2014. The appointment of Mr. ZHU Gaoming as the company secretary and an authorised representative of the Bank was approved by the Hong Kong Stock Exchange and became effective from 27 March 2014. Mr. LI Zhenjiang ceased to act as the company secretary and an authorised representative of the Bank. The eligibility of Mr. ZHU Gaoming as the secretary of the Board was ratified by the CBRC on 9 May 2014. Mr. LI Zhenjiang ceased to act as the secretary to the Board.

On 9 September 2014, Mr. GUO Haoda resigned as the Executive Vice President of the Bank due to other work commitment.

Annual Remuneration

According to relevant government regulations, since 1 January 2015, the remuneration of the Chairman of the Board of Directors, President, Chairman of the Board of Supervisor as well as other deputy head of the Bank shall be paid in line with the *Opinions on the Reform of Payroll System of Person-in-charge in State-controlled Enterprises* issued by the government. The Bank has paid remuneration based on such opinions. Remuneration of the above-mentioned personnel for 2014 shall be paid according to the original standard and the final payment standard is subject to confirmation, details of which will be disclosed in further announcement.

The remuneration of Directors, Supervisors and senior management for 2014 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)
LIU Shiyu	Chairman, Executive Director	14.60	4.65	—	19.25
ZHANG Yun	Vice Chairman, Executive Director, President	81.60	25.55	—	107.15
LOU Wenlong	Executive Director, Executive Vice President	73.20	24.54	—	97.74
ZHAO Chao	Non-executive Director	—	—	—	—
ZHOU Ke	Non-executive Director	—	—	—	—
ZHANG Dinglong	Non-executive Director	—	—	—	—
CHEN Jianbo	Non-executive Director	—	—	—	—
HU Xiaohui	Non-executive Director	—	—	—	—
XU Jiandong	Non-executive Director	—	—	—	—
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	—	—	36.00	36.00
XIAO Xing	Independent Non-executive Director	—	—	—	—
CHE Yingxin	Chairman of the Board of Supervisors	78.00	25.15	—	103.15
WANG Xingchun	Supervisor Representing Shareholders	—	—	—	—
JIA Xiangsen	Supervisor Representing Employees	—	—	3.00	3.00
ZHENG Xin	Supervisor Representing Employees	—	—	3.00	3.00
XIA Zongyu	Supervisor Representing Employees	—	—	3.00	3.00
XIA Taili	Supervisor Representing Employees	—	—	—	—
DAI Genyou	External Supervisor	—	—	28.00	28.00
CAI Huaxiang	Executive Vice President	73.20	24.54	—	97.74
GONG Chao	Executive Vice President, Secretary to the Party Discipline Committee	73.20	24.54	—	97.74
WANG Wei	Executive Vice President	73.20	24.54	—	97.74
LI Zhenjiang	Executive Vice President	73.20	24.54	—	97.74
ZHU Gaoming	Secretary to the Board of Directors	60.85	10.33	—	71.18

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 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. ZHAO Chao, Mr. ZHOU Ke, Mr. ZHANG Dinglong, Mr. CHEN Jianbo, Mr. HU Xiaohui and Mr. XU Jiandong, our Non-executive Directors, were not entitled to receive any remuneration from the Bank.*
3. *Mr. JIANG Chaoliang received remuneration of RMB862,700 during his term of office in the Bank in 2014.*
4. *Mr. GUO Haoda received remuneration of RMB650,500 during his term of office in the Bank in 2014.*
5. *The former Non-executive Directors, namely Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin and Mr. XIAO Shusheng did not receive any remuneration from the Bank.*
6. *Mr. LIU Hong was not entitled to receive any remuneration of part-time position from the Bank in 2014 as our Supervisor Representing Shareholders.*
7. *The remuneration of Mr. ZHANG Jianzhong as a Supervisor Representing Employees of the Bank in 2014 was RMB30,000.*
8. *The total remuneration paid to the Directors, Supervisors and senior management by the Bank in 2014 was RMB11,727,500.*
9. *During the reporting period, Non-executive Directors Mr. ZHAO Chao, Mr. ZHOU Ke and former Non-executive Directors Mr. SHEN Bingxi, Mr. LIN Damao, Mr. CHENG Fengchao, Mr. LI Yelin, Mr. XIAO Shusheng received remuneration from the controlling shareholder of the Bank. During the reporting period, no other Directors, Supervisors and senior management received remuneration from the controlling shareholder of the Bank.*

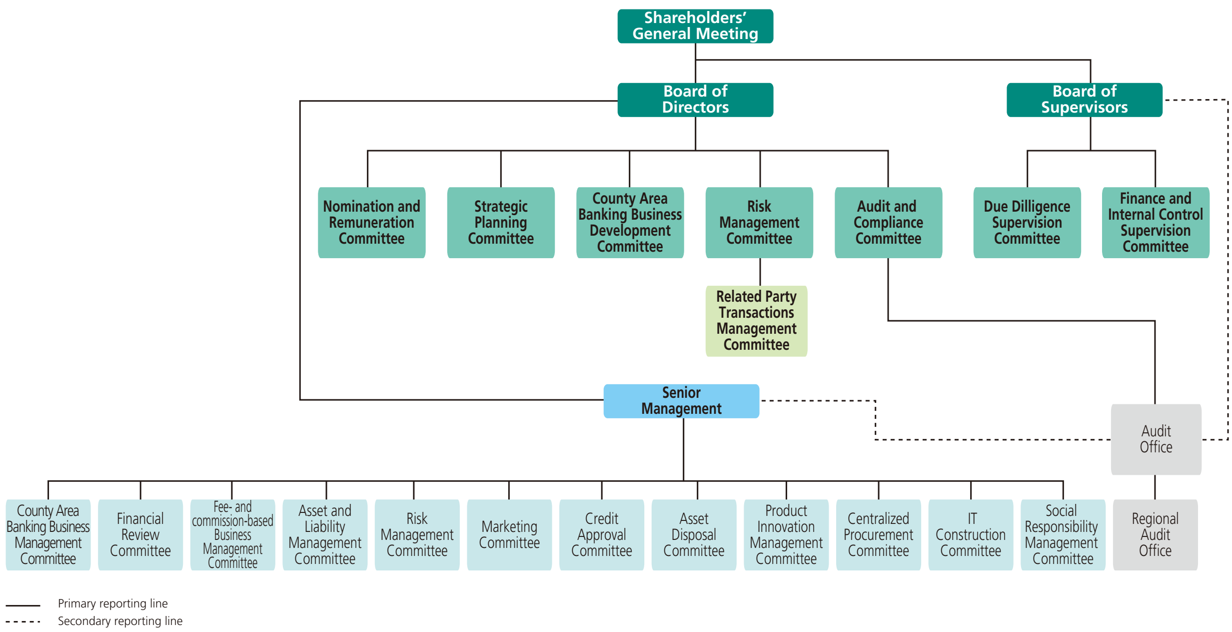
Mr. ZHENG Xin, our Supervisor, held 500,000 and 375,000 A shares of the Bank at the beginning and end of the year, respectively. During the reporting period, he sold 125,000 A shares. Mr. ZHU Gaoming, our Secretary to the Board, holds 1,000 A shares of the Bank (and there is no change in his shareholding during the reporting period). Save as disclosed above, no other Directors, Supervisors or 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 the places where the Bank's shares are listed. We amended the Articles of Association and added case prevention and compliance management to the responsibilities of the Audit Committee of the Board of Directors and renamed the "Audit Committee" as "Audit and Compliance Committee". We also supplemented and adjusted the composition of the Board of Directors, the Board of Supervisors and the special committees thereof, appointed new supervisors representing shareholders and 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 relations. Through enhancing our comprehensive risk management, internal control and compliance management, we continuously improved the transparency and corporate governance of the Bank.

In 2014, the Bank was awarded "Platinum Award for Corporate Governance" 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.

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 of Directors and Special Committees

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors comprised 13 members, including three Executive Directors, namely Mr. LIU Shiyu, Mr. ZHANG Yun and Mr. LOU Wenlong; five Non-executive Directors, namely Mr. SHEN Bingxi, Mr. CHENG Fengchao, Mr. XIAO Shusheng, Mr. ZHAO Chao and Mr. ZHOU Ke; and five Independent Non-executive Directors, namely Mr. Anthony WU Ting-yuk, Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan. Details of the incumbent 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 repurchase of the ordinary shares;
- 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;
- decision on matters concerning the preference shares of the Bank in issue as authorized by Shareholders' General Meetings, including but not limited to repurchase, conversion and distribution of dividends; and
- other functions conferred by laws, administrative regulations, departmental rules and the Articles of Association or authorized by Shareholders' General Meetings.

Meetings of the Board of Directors

The Board of Directors shall consider matters by way of board meetings. During the reporting period, the Board of Directors convened a total of 14 meetings, at which 55 proposals were considered and approved, including the issuance of preference shares, the 2013 annual report, the 2013 corporate social responsibility report, and the nomination of our Directors and the election of the Chairman.

During the reporting period, the attendance of Directors at Shareholders' General Meetings, meetings of the Board of Directors and special committees of the Board of Directors 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 and Compliance Committee	Risk Management Committee	Related Party Transactions Management Committee
Executive Directors								
LIU Shiyu	0/0	2/2	1/1					
ZHANG Yun	2/2	13/14	6/7	4/4	5/5			
LOU Wenlong	2/2	14/14	7/7				3/4	
Non-executive Directors								
SHEN Bingxi	2/2	14/14	7/7		5/5		4/4	
CHENG Fengchao	2/2	14/14	7/7	4/4		4/4		
XIAO Shusheng	2/2	14/14	7/7	4/4			4/4	
ZHAO Chao	2/2	13/14	7/7	3/4				
ZHOU Ke	1/1	8/8		2/2	3/3		1/1	
Independent Non-executive Directors								
Anthony WU Ting-yuk	2/2	14/14	7/7		5/5		4/4	1/1
QIU Dong	2/2	13/14		3/4	4/5	3/4	2/4	1/1
Frederick MA Si-hang	2/2	12/14			5/5	4/4		
WEN Tiejun	2/2	13/14		4/4	5/5	2/4		
Francis YUEN Tin-fan	2/2	13/14				3/4	3/4	1/1
Former Directors								
JIANG Chaoliang	1/1	6/7	4/5					
GUO Haoda	1/1	5/7	4/5	1/2				
LIN Damao	1/1	6/6			1/1	2/2	2/2	
LI Yelin	1/1	6/6	5/5				2/2	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 preference shares, the profit distribution plan and the nomination of our Directors) by taking advantage of their professional capabilities and industrial experiences. Our Independent Non-executive Directors strengthened the communication with the senior management, specialized 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 for making rational decisions and protected the interests of the Bank and its shareholders as a whole. We highly value the relevant opinions and advice from the 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 Non-executive 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 and Compliance Committee and the Risk Management Committee (with 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. LIU Shiyu was appointed as the Chairman of the Strategic Planning Committee;

Mr. ZHOU Ke was appointed as a member of County Area Banking Business Development Committee, the Nomination and Remuneration Committee and the Risk Management Committee;

Mr. JIANG Chaoliang resigned as the Chairman of the Strategic Planning Committee;

Mr. GUO Haoda resigned as a member of the Strategic Planning Committee and the County Area Banking Business Development Committee;

Mr. LIN Damao resigned as a member of the Nomination and Remuneration Committee, the Audit and Compliance Committee and the Risk Management Committee;

Mr. LI Yelin's term of office expired and ceased to act as a member of the Strategic Planning Committee, the Risk Management Committee and the Related Party Transactions Management Committee.[1]

Note: *In January 2015, Mr. SHEN Bingxi, Mr. CHENG Fengchao and Mr. XIAO Shusheng ceased to serve as the members of the relevant special committees of the Board due to expiry of term; In March 2015, the Board considered and passed the proposal on the changes in the chairman and the members of the special committees of the Board, and the members of the special committees of the Board were changed correspondingly. For details, please refer to "Announcement on Change in Directors" and "Changes in Chairmen and Members of Board Committees" of the Bank published on the website of Hong Kong Stock Exchange (www.hkexnews.hk) on 21 January 2015 and 24 March 2015, respectively.*

Strategic Planning Committee

At the end of the reporting period, the Strategic Planning Committee of the Board of Directors comprised 8 Directors, including Mr. LIU Shiyu, the Chairman, Mr. ZHANG Yun, the Vice Chairman, Mr. LOU Wenlong, Executive Director, Mr. SHEN Bingxi, Mr. CHENG Fengchao, Mr. XIAO Shusheng and Mr. ZHAO Chao (all are Non-executive Directors) and Mr. Anthony WU Ting-yuk (Independent Non-executive Director). Mr. LIU Shiyu, the Chairman, has been appointed as Chairman of the Strategic 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 the Board of Directors.

During the reporting period, the Strategic Planning Committee convened seven meetings and considered 15 proposals including the operating plan for 2015, the financial final accounts of 2013, the profit distribution plan of 2013 and the issuance plan for preference shares, and provided useful opinions and recommendations on the issuance plan for preference shares, 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. CHENG Fengchao, Mr. XIAO Shusheng, Mr. ZHAO Chao, Mr. ZHOU Ke (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 six reports in relation to the financial forecast of the County Area Banking Division for 2015, and the pilot reform program of the County Area Banking Division. It has conducted thorough in-depth discussions and studies on the operation management, risk management, credit granting and cost allocation of our County Area Banking Division and provided useful opinions and recommendations.

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. ZHOU Ke (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.

The Articles of Association set out the procedures and methods of nomination of Directors and have specific requirements for the appointment of Independent Directors. Please refer to articles 135 and 145 of the Articles of Association for details. The Articles of Association are published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank appointed our Directors in strict compliance with the Articles of Association.

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 diligent performance, their understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors of the Bank and the requirement of the diversity 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 five meetings and considered eight proposals including the nomination of Directors and the appointment of the secretary to the Board of Directors.

Audit and Compliance Committee

At the end of the reporting period, the Audit and Compliance Committee of the Board of Directors comprised five Directors, namely Mr. CHENG Fengchao, Non-executive Director, Mr. QIU Dong, Mr. Frederick MA Si-hang, 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 and Compliance Committee. The primary duties of the Audit and Compliance 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 and Compliance Committee was disclosed in the *Annual Performance Report of Audit and Compliance 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 seven Directors, including Mr. LOU Wenlong (Executive Director), Mr. SHEN Bingxi, Mr. XIAO Shusheng and Mr. ZHOU Ke (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 two proposals including the policy of operational risk management, the administrative measures on liquidity risk and contingency plans for liquidity accident. It also listened to seven reports including the overall risk status of the Bank and the validation status of retail IRB system. The Risk Management Committee investigated on the overall risk status of the Bank regularly and provided reasonable advice on the operational risk management policies and strengthen the comprehensive 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 three Directors, including 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 the 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 2014, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Bank) amounted to RMB241,171 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, the operational procedure and approval process of the guarantee business. We believe that the Bank has effectively controlled the risks on the guarantee business.

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

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 2014, 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 2013, and the first quarterly report, the interim report and the third quarterly report of 2014.

Training of Directors and Company Secretary

Training of Directors

In 2014, our Directors actively participated in trainings on corporate governance, regulatory policies, internet finance, Hong Kong Listing Rules and the responsibilities and obligations of Directors as required by the Hong Kong Listing Rules and the domestic regulatory requirements. Our Directors improved their professional expertise through publishing professional articles, attending forums and seminars, teaching and site visit to overseas and domestic banks and our branches.

Training of Company Secretary

In 2014, Mr. ZHU Gaoming, the company secretary and the secretary to the Board of Directors of the Bank, attended the qualification training for the secretary to the Board of Directors held by Shanghai Stock Exchange. The duration of the training was in compliance with the relevant requirements.

Report of the Board of Supervisors

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors comprised seven Supervisors, including two Supervisors representing shareholders, namely Mr. CHE Yingxin and Mr. WANG Xingchun, four Supervisors representing employees, namely Mr. JIA Xiangsen, Mr. ZHENG Xin, Mr. XIA Zongyu and Mr. XIA Taili, 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;

- 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, as well as conducting daily supervision according to the requirements of the Board of Supervisors.

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. WANG Xingchun, Mr. DAI Genyou and Mr. XIA Taili. 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;
- 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;

- 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 seven meetings and considered and approved 20 resolutions including the annual report for 2013 and its abstract, and listened to 19 specific work reports.

The Finance and Internal Control Supervision Committee held four meetings to consider and approve three resolutions, including assessment report of the County Area Banking Business for 2013 prepared by the Board of Supervisors.

The Due Diligence Supervision Committee held three meetings to consider and approve ten resolutions, including the 2013 due diligence performance appraisal reports of the Board of Directors, the Board of Supervisors, the senior management and the members thereof.

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	7/7	3/3	4/4
WANG Xingchun	3/3	2/2	
JIA Xiangsen	6/7		4/4
ZHENG Xin	6/7		4/4
XIA Zongyu	7/7		4/4
XIA Taili	0/0	0/0	
DAI Genyou	7/7	3/3	
Former Supervisors			
LIU Hong	1/2	0/1	
ZHANG Jianzhong	6/7	2/3	

Notes: 1. Attendance in person includes on-site attendance and attendance 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 annual report.

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 and the *Rules of Procedures of the Board of Supervisors*. It improved the supervisory mechanism of the Bank, exercised its supervisory power according to law and effectively exerted its supervision and counter-balance functions.

Supervised due diligence and compliance of the Board of Directors and senior management. The Board of Supervisors put great emphasis on due diligence supervision. Through extensive collection and improvement of information on the due diligence of directors and senior management, the Board of Supervisors enhanced the basis of due diligence supervision. The Board of Supervisors conducted annual due diligence evaluation of the Board of Directors and senior management and its members and rated based on routine due diligence supervision. The Board of Supervisors also provided recommendation to and arranged interviews with the Board of Directors and senior management. The Board of Supervisors also carried out due diligence audits on the four resigned Directors in accordance with the Articles of Association.

Strengthened financial supervision and supported prudent operation and sound growth. The Board of Supervisors duly performed its duties to review periodic financial statements, regular financial reports and annual profit distribution plan and provided independent opinion in accordance with disclosure requirements of the CSRC and stock exchanges. The Board of Supervisors monitored the capital adequacy ratio and capital management in accordance with new regulation over capital and provided opinion and recommendations. The Board of Supervisors also provided instructions on the risk audit of the internal audit department and follow up the results of remedial measures. The Board of Supervisors also supervised the quality of audit through reviewing the audit and review report from external auditors.

Strengthened the supervision on and improvement of the County Area Banking Business. The Board of Supervisors duly performed its duties of supervising businesses and constantly refined the annual evaluation system of County Area Banking Business. Based on this system and the development of the County Area Banking Business and daily supervision, the Board of Supervisors evaluated the performance of County Area Banking Business for 2013 and analyzed challenges and opportunities of the Bank. The Board of Supervisors provided recommendation to enhance the competitiveness of branches in County Areas with an aim to promoting the healthy growth of County Area Banking Business.

Enhanced supervision on and further improvement of our internal control. The Board of Supervisors focused on the effectiveness of internal control from the supervisory perspective and conducted annual evaluation on internal control. The Board of Supervisors considered that the internal control systems on the headquarter and the foundation level were equally important and recommended the Board of Directors and senior management to further enhance the effectiveness of internal control and focus on the implementation of the remedial measures raised up during internal and external inspection. Having reviewed the report of rectification of the Bank, the Board of Supervisors suggested the senior management to put more effort in rectification and improve the results of the rectification.

Reinforced supervision on asset quality and risks and generated synergy effect in supervision. The Board of Supervisors persisted in its prudent and steady supervision. Based on economic environment and the operation and management of the Bank, the Board of Supervisors focused on the supervision of asset quality in a risk-oriented manner. The Board of Supervisors supervised credit approval, credit structure adjustment, risk management accountability and disposal of non-performing assets through investigation, seminar and listening to work report, and provided supervisory recommendation. The Board of Supervisors paid close attention to case risk management and kept abreast of the crisis and material risk events of the Bank. The Board of Supervisors convened joint meeting to report such cases and risks and recommended the senior management to take effective measures to enhance case prevention.

Work of External Supervisors

During the reporting period, Mr. DAI Genyou, an external Supervisor of the Bank, performed his supervisory duties diligently in accordance with the Articles of Association strictly. He reviewed the relevant resolutions and received work report and attended all meetings of the Board of Supervisors and special committees thereof in person. He also attended the seminar on the supervisory duties of supervisors and provided professional and independent advices and opinions, in order to enhance the corporate governance and the operation management of the Bank.

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
24 March 2015

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 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;

- 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

During the reporting period, we held one extraordinary general meeting and one annual general meeting at which 23 resolutions were considered and approved, and 3 reports were considered.

On 23 June 2014, we held the 2013 Annual General Meeting in Beijing, at which 17 resolutions were considered and approved, including the grant to the Board of Directors of a general mandate to issue shares, the amendments of the Articles of Associations, the issuance plan for preference shares, the compensation on instant returns to shareholders after issuance of preference shares, the feasibility analysis report of the use of proceeds, the shareholders return plan for 2014–2016, the 2013 work report of the Board of Directors of the Bank, the 2013 work report of the Board of Supervisors of the Bank, the final financial accounts of the Bank for 2013, the profit distribution plan of the Bank for 2013 and the fixed assets investment budget of the Bank for 2014. In addition, three reports were listened to, including the 2013 work report of Independent Directors, the 2013 report on the implementation of the Plan on the Authorization of Shareholders' General Meeting to the Board of Directors and the Report on the management of related party transactions of the Bank.

On 5 December 2014, we held the First Extraordinary General Meeting for 2014 in Beijing, at which six resolutions were considered and approved, including the election of Mr. LIU Shiyu as an Executive Director and ZHAO Chao as a Non-executive Director.

The aforesaid General Meetings were 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 meetings and discussed with shareholders about matters the shareholders were concerned about. The Bank published the announcements on the poll results and legal advices of the above General Meetings in a timely manner in accordance with regulatory requirements. The announcements on the poll results of General Meetings were published on the website of the Hong Kong Stock Exchange on 23 June 2014 and 5 December 2014, and on the website of the Shanghai Stock Exchange and in newspaper designated by the Bank for information disclosure on 24 June 2014 and 6 December 2014.

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.

The Chairman of the Bank is the legal representative of the Bank, and is responsible for material matters such as business strategies and overall development of the Bank. On 31 August 2014, Mr. JIANG Chaoliang resigned as the Chairman of the Bank due to other work arrangement. On 5 December 2014, Mr. LIU Shiyu was elected as the Chairman of the Bank by the Board of Directors, and his eligibility was ratified by the CBRC on 11 December 2014.

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 2014.

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 approved by the Annual General Meeting for 2013 of the Bank, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international auditors of the Bank for 2014, respectively. Such auditors has provided audit services for the Bank for two years.

In 2014, a total fee of RMB132 million was paid to PricewaterhouseCoopers and its member firms by the Group for services provided to the Group, of which audit service fee was RMB112.50 million, internal control audit service fee was RMB11.85 million and non-audit service fee was RMB8.04 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 (the "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. The Office of the Board of Directors is responsible for day to day affairs of the Board of Directors. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "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. The Office of the Board of Directors is responsible for organizing Shareholders' General Meetings, preparing documents and taking minutes of the meetings.

Special regulations of holders of preference shares

The holders of preference shares are entitled to vote in the event of the following: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, regulations, and the Articles of Association.

In the event of any of the foregoing circumstances, holders of preference shares shall have the right to attend Shareholders' General Meetings and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares prior to convention of the meeting. The Bank shall also comply with the required notice procedure for ordinary shareholders set forth herein.

When the Bank fails to pay dividends on preference shares for a total of three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the Shareholders' General Meetings and jointly vote with ordinary shareholders, starting from the day following the date on which the Shareholders' General Meetings resolves to not distribute profits as agreed in profit distribution plan and until the dividends that shall be paid by the Bank when voting rights are restored as determined at the issuance of such preference shares are paid in full.

Significant Changes to the Articles of Association during the reporting period

During the reporting period, we amended the Articles of Association mainly in accordance with the requirements of the *State Council Guidance on the Pilot Scheme of Preference Shares,* the *Administrative Guidelines on the Pilot Scheme of Preference Shares,* the *Guideline on Listed Companies' Articles of Association by the CSRC* and the *CBRC and CSRC Guidance on Preference Shares Issuance of Commercial Banks to Replenish Tier 1 Capital*. The amendments were mainly the additions of terms of rights and obligations including the distribution of dividends of preference shares and remaining assets, restrictions on and restoration of the voting right, repurchase and conversion, non-accumulation dividends and discretionary distribution of the dividends, the major terms of issuance of preference shares and other necessary terms. Please refer to the Articles of Association published by Shanghai Stock Exchange and Hong Kong Stock Exchange for details.

Information Disclosure and Investor Relations

Information Disclosure

The Bank actively followed up regulatory requirements and continuously refined its information disclosure system and procedures, so as to further improve the systematization of the information disclosure of the Bank. The Bank prepared and disclosed the periodic reports and temporary reports and disclose the relevant information in the course of the issuance of the first-tranche domestic preference shares in compliance with laws and regulations. As the Bank paid attention to the hot topics in the market and the concern of investors, it actively explored the content and the form of voluntary information disclosure with an aim to enhance the transparency of information disclosure. In 2014, the Bank published over 340 documents for information disclosure on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Investor Relationship

In 2014, we successfully held press release for the 2013 annual results and 2014 interim results, and made the debut presentation on the 2014 interim results in Shanghai Stock Exchange. During these activities, we shared the development strategies, operation results and our competitive advantages with investors to enhance their recognition and confidence on our investment value and development prospects. Furthermore, we maintained an effective and smooth communication with the capital market by receiving investors' casual visits and participating in the well-known domestic and overseas investment forums based on the principles of encouraging interviews from investors and actively communicating with investors. We positively responded to the investors on matters concerned and promptly conveyed reasonable suggestions from investors to the management. In addition, we continued to improve the variety of channels to communicate with investors and safeguard equal information right of shareholders, especially the minority shareholders. Currently, investors can keep abreast of our development situation through our official website, telephone, email, E-Interation platform of Shanghai Stock Exchange and other means.

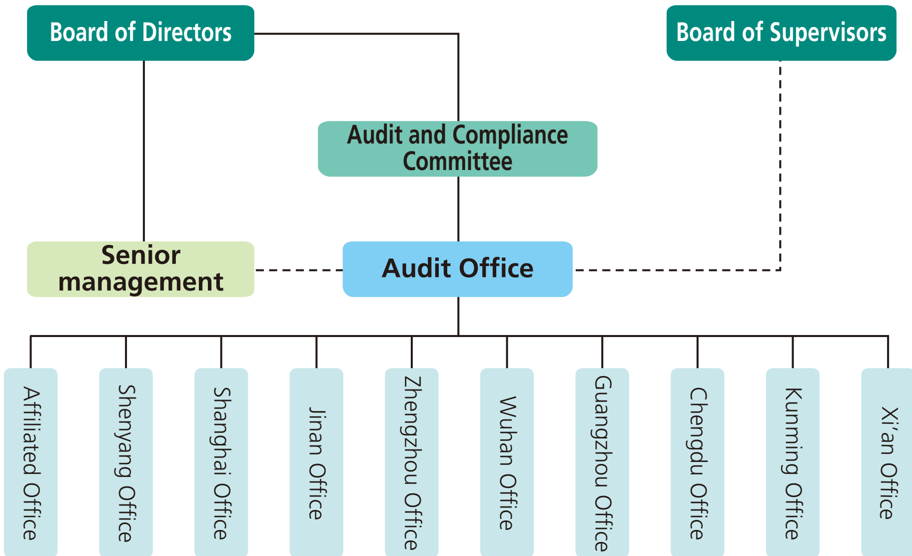
If investors have any enquiries of relevant questions, or any aforesaid proposals, enquiries or resolutions, please contact:

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 audit department which is accountable to the Board of Directors and the Audit and Compliance Committee, and under the supervision of the Board of Supervisors and the senior management. The audit department performs audits and assessment on operations and management, business activities and operation performance of the Bank based on the risk-oriented principles. The 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, in compliance with the external regulatory requirements and the strategic decisions of the Board of Directors the Bank further optimized the audit system, strengthened the basis of management, implemented risk-orientated audit approach and promoted the application of information technology in auditing to improve the auditing quality. Comprehensive risk audit was carried out on certain branches with focus on retail loans, loans to Sannong, fixed assets, outsourcing projects and credit card business. Special audit and investigation on off-balance sheet business, New Basel Capital Accord, consolidated financial statement of subsidiaries and internal controls reappraisal as well as interest rate management were carried out. We steadily improved the audit on overseas institutions and standardized the audit on the due diligence of the senior management. We also carried out follow-up audit on the key audit projects of last year.

Report of the Board of Directors

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 2014 are set out in the section headed "Discussion and Analysis — Financial Statements Analysis" in this annual report.

Upon the approval of the 2013 Annual General Meeting held on 23 June 2014, the Bank distributed cash dividend of RMB1.77 (tax included) per ten shares, amounting to RMB57,489 million (tax included) to shareholders of A shares and H shares on our registers of members at the close of business on 2 July 2014.

The Board of Directors of the Bank proposed the distribution of cash dividend of RMB1.82 (tax included) per ten shares for 2014 for a total of RMB59,113 million (tax included) to ordinary shareholders. The dividend distribution plan is subject to the approval of shareholders at the 2014 Annual General Meeting. Upon the approval of the 2014 Annual General Meeting, the dividend will be paid to holders of A shares and H shares whose names appeared on the registers of members of the Bank at the close of business on the record date. A separate announcement will be published to disclose the dividend payment date.

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

In millions of RMB, except percentages

	2013	2012	2011
Cash dividend (tax included)	57,489	50,830	42,710
Cash dividend payment ratio[1] (%)	34.6	35.0	35.0

Note: 1. Cash dividend (tax included) is divided by the net profits of the reporting period attributable to equity holders of the Bank.

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 enterprises 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 Meetings. 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 2014 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 2014 is set out in the section headed "Financial Highlights" in this annual report.

Donations

During the year ended 31 December 2014, the Bank made external donations (domestically) of RMB41.80 million.

Fixed Assets

The changes in fixed assets for the year ended 31 December 2014 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 2014 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 2014, 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

For the year ended 31 December 2014, 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. 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 the existing shareholders (except holders of the Bank's preference shares), 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 2014, the five largest customers accounted for less than 30% of the interest income and other operating income of the Bank.

Use of Proceeds

All proceeds were used to strengthen the Bank's capital base to support the ongoing growth of its business as disclosed in the prospectuses.

Major Projects Invested by Non-raised Capital

For the year ended 31 December 2014, the Bank has no significant projects invested by non-raised capital.

Directors' and Supervisors' Interests in Material Contracts

For the year ended 31 December 2014, 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 2014, 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

On 22 December 2014, Mr. ZHENG Xin, a Supervisor of the Bank, sold 125,000 A shares of the Bank in the secondary market. After the completion of the transaction, Mr. ZHENG Xin held 375,000 A shares of the Bank. Except for the above, 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 2014. We followed up the regulatory requirements, continuously refined the management mechanism and strengthening the basis of management. We launched the inspection of the management on related party transactions, initiated the refinement of the information system for the management on related party transactions. All the related party transactions were conducted in accordance with the relevant laws and regulations during the reporting period.

We had entered into various connected transactions with connected persons of the Bank (as defined in the Hong Kong Listing Rules) in 2014, which were conducted in our ordinary course of business. Those transactions were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

We had extended loans to related natural person (as defined in the *Administrative Measures on Information Disclosure by Listed Companies* issued by the CSRC) in 2014. Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 31 December 2014, the total balance of loans amounted to RMB2.2122 million, and the conditions for such loans were normal.

For the related party transactions defined under accounting standards, please refer to "Note IV. 44 Related Party Transactions" to the financial statements.

Remuneration of Directors, Supervisors and Senior Management

The Bank complies with 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 in 2014 in accordance with the regulation of the PRC. After the assessment, the remuneration of senior management shall be reviewed and approved by the Board of Directors of the Bank while that of Directors and Supervisors shall be reviewed and approved by the Shareholders' General Meetings. 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 share incentive 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. 35 Other Liabilities (1)Staff costs payable" 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 2014, 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, respectively. With respect to each, an unqualified audit opinion was issued.

Implementation of Management System of Insider Information

The Bank strengthened its management on insider information and promoted the compliance awareness of insiders to prevent leakage of price-sensitive information. The Bank also made efforts to uphold the fairness of information disclosure and minimize risk of insider transactions. During the reporting period, the Bank organized self-investigation on insider transactions, completed the annual registration and filing of insiders and carried out registration of insiders for the issuance of preference shares.

Consumer Protection

The Bank is committed to protecting the legal interests of our consumers and constructing a fair, equitable and integral finance consumption environment. With an emphasis on the major aspects of customer services (including design and development, pricing management, formulating contracts, reviewing and approving, marketing and promotion, after-sales management and handling complaints), we complied with laws, regulations and requirements from relevant regulatory authorities, including the *Banking Consumer Protection Guidelines*. This was to realize the goal that consumers would receive fair, equitable and integral treatment in each stage of the business relationship with the Bank. The Bank also organized banking and financial knowledge promotion events to promote financial knowledge and raise customers' awareness about customers protection to facilitate the positive interaction between the public and financial institutions. We streamlined and amended the standard contract template to enhance the respect and protection of the rights and interests of consumers.

Corporate Social Responsibility

Please refer to the *2014 Corporate Social Responsibility Report* of the Bank published on the website of Shanghai Stock Exchange (www.sse.com.cn) for details.

By Order of the Board of Directors

LIU Shiyu
Chairman
24 March 2015

Internal Control

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 and Compliance 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

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 2014, the Bank strictly implemented the *Basic Rules on Enterprise Internal Control* and its implementing measures as well as various regulatory requirements. We further improved our internal control by adhering to our compliance culture, supported by our information technologies and focusing on system construction and basic management, so as to ensure compliance and stable and sound operation of the Bank.

The Bank strived to adhere to our compliance culture by encouraging all our staff to comply with the laws and regulations. Our compliance culture was enhanced through implementing annual measures and initiatives. We organized a propagation about strict compliance with the law to raise staff compliance awareness. We also formulated the *Administrative Measures for the Marking Scheme of Staff Non-compliance* and created a filing system recording the marking of staff non-compliance for the guidance and supervision of staff compliance with laws and regulations.

The Bank optimized the information system for internal control compliance management with stronger technological support. Through commencing the second development stage of information system for internal control compliance management, we refined the platform of internal control compliance management and communications. Additionally, we established a compliance risk monitoring system to enhance the monitoring and analysis of our compliance risk for our principal business and optimize the compliance risk reporting mechanism.

The Bank enhanced the establishment of compliance system for internal control in a steady and progressive manner to ensure its stable and sound operation. Firstly, we improved the regulation system which was further refined by the pilot compilation of the operational rules of "Workflow", "Position and Duty Lists" and "Operational Requirements". Secondly, we promoted the guidance of internal control assessment. We fully implemented the grading system for all the branches and encouraged their proactive reinforcement of internal control. Follow-up inspection after internal control evaluation was conducted to enhance quality management of internal control evaluation. Thirdly, we improved the inspection quality through integrating inspection resources and refining off-site inspection methods. Furthermore, we carried out case risk inspection and specific management along with due diligence supervision and inspection of business lines. Standards of supervision and duties in all tier-2 branches was fully implemented with the publication of the "Business Inspection Manual". We also revised the illustration of the criterion for completion of rectification to facilitate the sophisticated management of rectification.

Internal Control Self-evaluation Report

The Board of Directors of the Bank has considered and approved the 2014 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 and 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

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.

Significant Events

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 2014, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB3.423 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 operating 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 Incentive Plan

During the reporting period, the Bank did not implement any share 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.

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

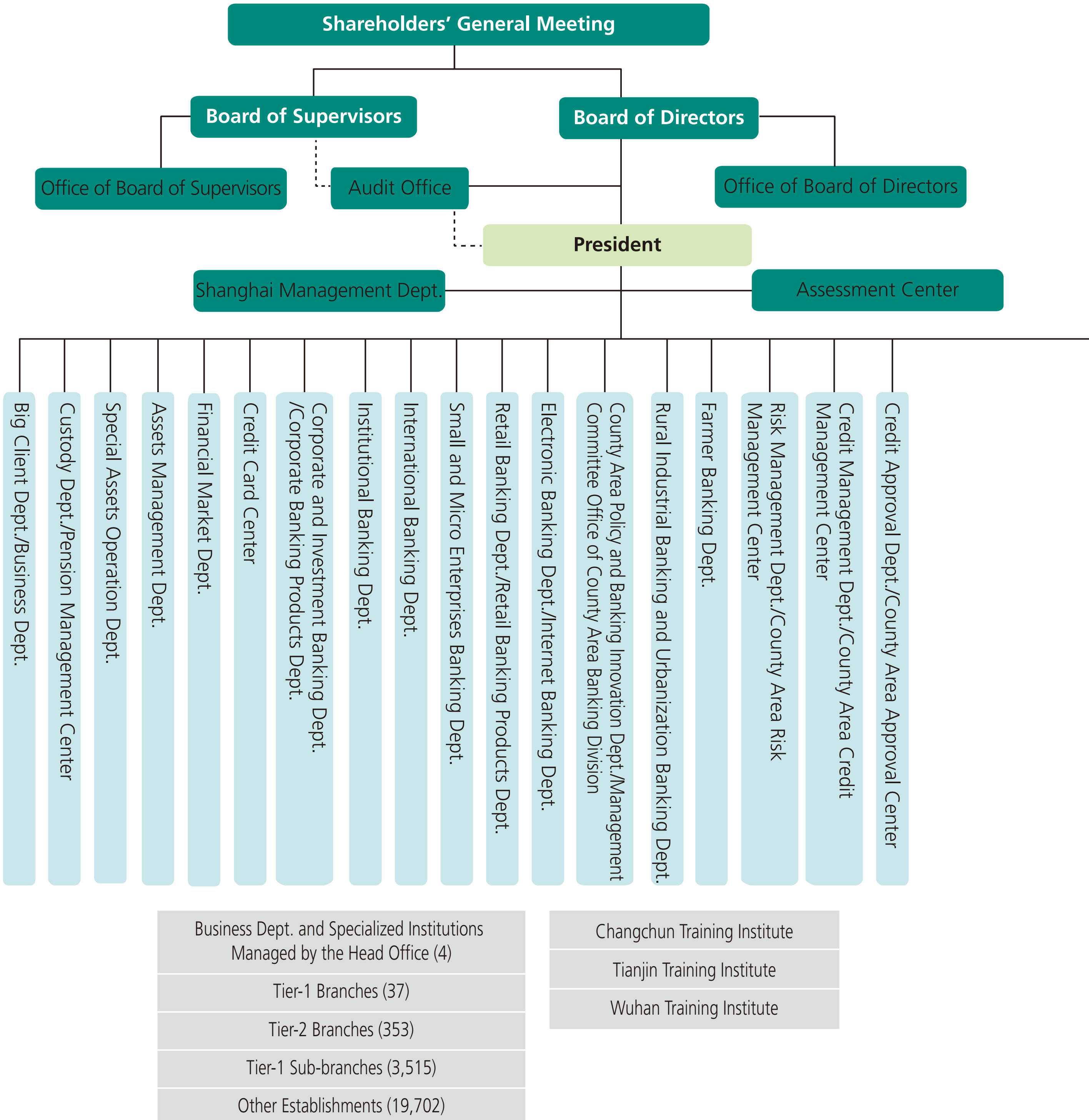
Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder 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, it 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, it 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 the Bank, 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
The Bank	Compensation for the instant return	As the holders of preference shares are entitled to receive their profit distribution of the Bank prior to the holders of ordinary shares at the agreed coupon rate, without taking into account any financial return that may be generated from the use of proceeds, the issuance will reduce the net profit attributable to the holders of ordinary shares, which will result in decreases of RMB0.01 in earnings per share attributable to the holders of ordinary shares of the Bank and 0.54 percentage point in returns on equity, respectively[1]. In light of the above, the Bank plans to use the proceeds from the Issuance rationally by strengthening capital constraints, optimizing resource allocation, improving development advantages, and maintaining the risk limitation, and through the following measures to enhance the Bank's sustainable development capabilities as well as enhance shareholders' value in the mid- to long-term to compensate for the short-term negative impacts on instant returns to shareholders: 1. Strengthen capital constraints and promote business development model, to change towards a capital-saving one. The Bank will adhere to the basic principles of established capital management and capital adequacy ratio management objectives, strengthen capital constraints and returns management and establish and improve long-term capital management mechanisms.	8 May 2014	31 December 2014	Commitment fulfilled

1 *Based on the financial data for the 12 months ended on 31 December 2013 and assuming the issuance of preference share was completed on 1 January 2013 with an issuance size of RMB80 billion and a coupon rate of 6%.*

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
		2. Optimize the allocation of resources and improve capital efficiency. The Bank will conscientiously implement the requirements of the national industrial structural adjustment and rationally allocate credit resources. The Bank will manage the diversity and yield of the investment portfolio while ensuring adequate liquidity. 3. Enhance the competitive advantage of the Bank's County Area Banking Business, tap into the new financial needs arising from rural reforms and new-type urbanization, innovate the financial services model and continuously improve the service synergies between urban and rural areas. 4. Maintain the risk limitation and strengthen risk management. The Bank will continue to strengthen comprehensive risk management system construction from culture, structure, systems and tools perspectives and enhance risk prevention and control of key sectors. Based on the above measures, the Bank undertakes that, in the absence of major incidents resulting in substantial material impact on the Bank's operations, earnings per share attributable to ordinary shareholders of the Bank in 2014 will be able to return to the level above those in 2013, which is RMB0.51. Currently, the remunerations of the Chairman of the Board, President, Chairman of the Board of Supervisors, the executive directors and other senior managers are approved by the relevant authorities in accordance with the Bank's results of operations. In the event that the results of operations decline, the remunerations of the Chairman, President, Chairman of the Board of Supervisors, the executive directors and other senior managers of the Bank will be significantly affected.			
The Bank	Refinancing representation and commitment	The Board of Directors of the Bank announced the issuance plan for preference shares on 9 May 2014 and represented that apart from the issuance of preference shares, the Bank does not have other equity financing plans within the next 12 months. However, the Bank does not exclude the possibility of replenishing the Bank's capital in accordance with regulatory requirements and capital adequacy ratio through issuance of offshore preference shares.	8 May 2014	7 May 2015	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./Office of Assessment Center/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
- Party Affairs Dept.
- 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 branch
- 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
- Agricultural Bank of China (Moscow) Limited
- Agricultural Bank of China (Luxembourg) 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

Note: The establishment of Agricultural Bank of China (Moscow) Limited and Agricultural Bank of China (Luxembourg) Limited have been approved by domestic and foreign regulatory authorities but they have not commenced operation.

List of Branches and Institutions

Domestic Institutions

- **BEIJING BRANCH**

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

- **TIANJIN BRANCH**

ADD: No. 3 6 Zijinshan Road
Hexi District
Tianjin 300074
PRC
TEL: 022-23338701
FAX: 022-23338733

- **HEBEI BRANCH**

ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC
TEL: 0311-87016962
FAX: 0311-87019961

- **SHANXI BRANCH**

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

- **INNER MONGOLIA BRANCH**

ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC
TEL: 0471-6903401
FAX: 0471-6904750

- **LIAONING BRANCH**

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

- **JILIN BRANCH**

ADD: 926 Renmindajie
Changchun
Jilin Province 130051
PRC
TEL: 0431-82093001
FAX: 0431-82093517

- **HEILONGJIANG BRANCH**

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

- **SHANGHAI BRANCH**

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

- **JIANGSU BRANCH**

ADD: 357 Hongwu Road
Nanjing 210002
PRC
TEL: 025-84571888
FAX: 025-84577017

- **ZHEJIANG BRANCH**

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

- **ANHUI BRANCH**

ADD: 448 Changjiang Zhonglu
Hefei
Anhui Province 230061
PRC
TEL: 0551-62843573
FAX: 0551-62843573

- **FUJIAN BRANCH**

ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC
TEL: 0591-87909908
FAX: 0591-87909620

- **JIANGXI BRANCH**

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

- **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: 0371-69196850
FAX: 0371-69196724

- **HUBEI BRANCH**

ADD: Block A
Jinjin Garden
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC
TEL: 027-87326666
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: 020-38008008
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: 0851-5221069
FAX: 0851-5221069

- **YUNNAN BRANCH**

ADD: 36 Chuangjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-63203405
FAX: 0871-63203584

- **TIBET BRANCH**

ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

- **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi’an
Shaanxi Province 710065
PRC
TEL: 029-88990821
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: 0971-6145105
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: 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: 0512-68258999
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: 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.185-199 Zhaoyuan Community
Committee Complex
Zhaoyuan Road,
Tong'an District
Xiamen
Fujian Province 361100
PRC
TEL: 0592-7319223
FAX: 0592-7319221

- **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 ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Shop A-02,
Jinmingmeidi Community
Yingbin Road
Ansai County
Shaanxi Province 717400
PRC
TEL: 0911-6229906
FAX: 0911-6229906

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

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

- **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 JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 340 Longchuan Road
Huayang Town
Jixi County
Xuancheng
Anhui Province 245300
PRC
TEL: 0563-8158913
FAX: 0563-8158916

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 BRANCH**

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

- **AGRICULTURAL BANK OF CHINA (LUXEMBOURG) LIMITED (Unopened)**

- **AGRICULTURAL BANK OF CHINA (MOSCOW) LIMITED (Unopened)**

Auditor's Report and Consolidated Financial Statements

pwc 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 178 to 369, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2014, 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 2014, 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, 24 March 2015

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 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
	IV	2014	2013
Interest income	1	699,289	613,384
Interest expense	1	(269,398)	(237,182)
Net interest income	1	429,891	376,202
Fee and commission income	2	87,883	89,697
Fee and commission expense	2	(7,760)	(6,526)
Net fee and commission income	2	80,123	83,171
Net trading gain	3	1,908	2,360
Net gain/(loss) on financial instruments designated at fair value through profit or loss	4	1,505	(639)
Net gain/(loss) on investment securities		335	(350)
Other operating income	5	10,364	5,027
Operating income		524,126	465,771
Operating expenses	6	(223,898)	(198,607)
Impairment losses on assets	8	(67,971)	(52,990)
Profit before tax		232,257	214,174
Income tax expense	9	(52,747)	(47,963)
Profit for the year		179,510	166,211
Attributable to:			
Equity holders of the Bank		179,461	166,315
Non-controlling interests		49	(104)
		179,510	166,211
Earnings per share attributable to the equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	0.55	0.51

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2014	**2013**
Profit for the year	179,510	166,211
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	34,587	(29,102)
Income tax impact for fair value changes on available-for-sale financial assets	(8,622)	7,227
Foreign currency translation differences	152	(321)
Other comprehensive income/(expenses), net of tax	26,117	(22,196)
Total comprehensive income for the year	**205,627**	**144,015**
Total comprehensive income attributable to:		
Equity holders of the Bank	205,503	144,123
Non-controlling interests	124	(108)
	205,627	**144,015**

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

Consolidated Statement of Financial Position

At 31 December 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	2014	2013
Assets			
Cash and balances with central banks	12	2,743,065	2,603,802
Deposits with banks and other financial institutions	13	572,805	397,678
Precious metals		20,188	19,185
Placements with and loans to banks and other financial institutions	14	407,062	308,655
Financial assets held for trading	15	58,425	53,864
Financial assets designated at fair value through profit or loss	16	356,235	269,018
Derivative financial assets	17	7,195	8,186
Financial assets held under resale agreements	18	509,418	737,052
Loans and advances to customers	19	7,739,996	6,902,522
Available-for-sale financial assets	20	927,903	781,311
Held-to-maturity investments	21	1,710,950	1,523,815
Debt instruments classified as receivables	22	522,117	592,090
Investments in associates and joint ventures		—	1
Property and equipment	24	154,950	150,859
Goodwill	23	1,381	1,381
Deferred tax assets	25	78,640	74,075
Other assets	26	163,822	138,608
Total assets		**15,974,152**	**14,562,102**
Liabilities			
Borrowings from central bank	27	80,121	104
Deposits from banks and other financial institutions	28	831,141	729,354
Placements from banks and other financial institutions	29	224,923	174,363
Financial liabilities held for trading	30	25,211	20,805
Financial liabilities designated at fair value through profit or loss	31	347,282	285,454
Derivative financial liabilities	17	7,240	7,635
Financial assets sold under repurchase agreements	32	131,021	26,787
Due to customers	33	12,533,397	11,811,411
Debt securities issued	34	325,167	266,261
Deferred tax liabilities	25	43	8
Other liabilities	35	435,987	395,383
Total liabilities		**14,941,533**	**13,717,565**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2014	2013
Equity			
Ordinary shares	36	324,794	324,794
Preference shares	37	39,944	—
Capital reserve	38	98,773	98,773
Investment revaluation reserve	39	3,118	(22,772)
Surplus reserve	40	78,594	60,632
General reserve	41	156,707	139,204
Retained earnings		329,989	243,482
Foreign currency translation reserve		(853)	(1,005)
Equity attributable to equity holders of the Bank		1,031,066	843,108
Non-controlling interests		1,553	1,429
Total equity		**1,032,619**	**844,537**
Total equity and liabilities		**15,974,152**	**14,562,102**

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

Approved and authorized for issue by the Board of Directors on 24 March 2015.

中国农业银行股份有限公司

Chairman

Executive Director

Statement of Financial Position

At 31 December 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	2014	2013
Assets			
Cash and balances with central banks	12	2,742,797	2,603,625
Deposits with banks and other financial institutions	13	562,792	389,938
Precious metals		20,188	19,185
Placements with and loans to banks and other financial institutions	14	412,825	310,967
Financial assets held for trading	15	58,425	53,497
Financial assets designated at fair value through profit or loss	16	355,763	267,994
Derivative financial assets	17	6,950	8,176
Financial assets held under resale agreements	18	509,412	736,742
Loans and advances to customers	19	7,700,348	6,866,183
Available-for-sale financial assets	20	917,381	776,715
Held-to-maturity investments	21	1,703,508	1,517,998
Debt instruments classified as receivables	22	511,174	585,459
Investment in subsidiaries	23	10,564	8,248
Property and equipment	24	152,374	149,001
Deferred tax assets	25	78,368	73,938
Other assets	26	148,290	126,684
Total assets		**15,891,159**	**14,494,350**
Liabilities			
Borrowings from central bank	27	80,030	30
Deposits from banks and other financial institutions	28	834,765	732,194
Placements from banks and other financial institutions	29	197,803	145,924
Financial liabilities held for trading	30	25,211	20,805
Financial liabilities designated at fair value through profit or loss	31	347,286	285,454
Derivative financial liabilities	17	7,072	7,633
Financial assets sold under repurchase agreements	32	126,950	24,670
Due to customers	33	12,530,169	11,808,163
Debt securities issued	34	323,336	266,261
Other liabilities	35	389,088	361,104
Total liabilities		**14,861,710**	**13,652,238**

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2014	As at 31 December 2013
Equity			
Ordinary shares	36	324,794	324,794
Preference shares	37	39,944	—
Capital reserve	38	98,574	98,574
Investment revaluation reserve	39	3,043	(22,750)
Surplus reserve	40	78,445	60,542
General reserve	41	156,145	138,751
Retained earnings		329,133	242,980
Foreign currency translation reserve		(629)	(779)
Total equity		**1,029,449**	**842,112**
Total equity and liabilities		**15,891,159**	**14,494,350**

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

Approved and authorized for issue by the Board of Directors on 24 March 2015.

Chairman

Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes IV	Ordinary shares	Preference shares	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2014		324,794	—	98,773	(22,772)	60,632	139,204	243,482	(1,005)	843,108	1,429	844,537
Profit for the year		—	—	—	—	—	—	179,461	—	179,461	49	179,510
Other comprehensive income		—	—	—	25,890	—	—	—	152	26,042	75	26,117
Total comprehensive income for the year		—	—	—	25,890	—	—	179,461	152	205,503	124	205,627
Issuance of preference shares		—	39,944	—	—	—	—	—	—	39,944	—	39,944
Appropriation to surplus reserve	40	—	—	—	—	17,962	—	(17,962)	—	—	—	—
Appropriation to general reserve	41	—	—	—	—	—	17,503	(17,503)	—	—	—	—
Dividends	10	—	—	—	—	—	—	(57,489)	—	(57,489)	—	(57,489)
As at 31 December 2014		**324,794**	**39,944**	**98,773**	**3,118**	**78,594**	**156,707**	**329,989**	**(853)**	**1,031,066**	**1,553**	**1,032,619**
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	40	—	—	—	—	16,636	—	(16,636)	—	—	—	—
Appropriation to general reserve	41	—	—	—	—	—	63,855	(63,855)	—	—	—	—
Dividends	10	—	—	—	—	—	—	(50,830)	—	(50,830)	—	(50,830)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	—	(2)	(2)
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**

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

(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	232,257	214,174
Adjustments for:		
Amortization of intangible assets and other assets	2,713	2,342
Depreciation of property and equipment	16,615	15,119
Impairment losses on assets	67,971	52,990
Interest income arising from investment securities	(123,053)	(106,831)
Interest income arising from impaired loans and advances to customers	(1,002)	(693)
Interest expense on debt securities issued	10,179	8,493
Net (gain)/loss on investment securities	(335)	350
Net gain on disposal of investment in associates and joint ventures	—	(309)
Dividend income arising from investment securities	—	(5)
Net gain on disposal of property, equipment and other assets	(393)	(656)
Net foreign exchange loss	1,107	5,037
	206,059	190,011
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(335,229)	(187,328)
Net increase in placements with and loans to banks and other financial institutions	(48,818)	(44,823)
Net decrease/(increase) in financial assets held under resale agreements	122,146	(40,995)
Net increase in loans and advances to customers	(887,572)	(795,948)
Net increase in borrowings from central bank	80,017	38
Net increase in placements from banks and other financial institutions	50,560	24,642
Net increase in due to customers and deposits from banks and other financial institutions	823,773	893,478
Increase in other operating assets	(121,778)	(180,820)
Increase in other operating liabilities	214,283	228,648
Cash from operations	103,441	86,903
Income tax paid	(68,826)	(54,024)
NET CASH FROM OPERATING ACTIVITIES	34,615	32,879

For the year ended 31 December 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		629,129	634,630
Cash received from interest income arising from investment securities		112,781	99,120
Cash received from disposal of investment in associates and joint ventures		1	416
Cash received from disposal of property, equipment and other assets		2,819	765
Cash paid for purchase of investment securities		(859,158)	(891,097)
Cash paid for purchase of property, equipment and other assets		(25,997)	(28,170)
NET CASH USED IN INVESTING ACTIVITIES		(140,425)	(184,336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from preference shareholders		40,000	—
Cash payments for transaction cost of preference shares issued		(38)	—
Cash received from debt securities issued		271,873	118,771
Cash payments for transaction cost of debt securities issued		(58)	(15)
Repayments of debt securities issued		(213,359)	(45,153)
Cash payments for interest on debt securities issued		(10,107)	(7,707)
Dividends recognized as distribution		(57,489)	(50,830)
Dividends paid to non-controlling interests		—	(2)
NET CASH FROM FINANCING ACTIVITIES		30,822	15,064
NET DECREASE IN CASH AND CASH EQUIVALENTS		(74,988)	(136,393)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		813,799	952,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(570)	(2,744)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**42**	**738,241**	**813,799**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		548,718	494,213
Interest paid		(229,793)	(199,880)

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 Predecessor Hong Kong Companies Ordinance (Cap.32) for this financial year and the comparative period.

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 2014 and adopted by the Group

The following standards have been adopted by the Group for the first time during the financial year ended 31 December 2014:

(1)	Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
(2)	Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
(3)	Amendments to IAS 36	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets
(4)	Amendments to IAS 39	Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting
(5)	IFRIC 21	Levies

(1) Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments give an exemption to an "investment entity", as defined by specific characteristics. According to the amendments, many investment funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, these subsidiaries will be measured at fair value through profit or loss.

(2) 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 that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also consider settlement mechanisms.

(3) 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2014 and adopted by the Group (Continued)

(4) Amendments to IAS 39: Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting

These amendments consider legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. These amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

(5) 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 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 2014

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
(1)	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
(2)	Amendments to IFRSs	Annual Improvements to IFRSs 2010 — 2012 Cycle	1 July 2014
(3)	Amendments to IFRSs	Annual Improvements to IFRSs 2011 — 2013 Cycle	1 July 2014
(4)	IFRS 14	Regulatory Deferral Account	1 January 2016
(5)	Amendments to IFRS 11	Acquisition of Interests in Joint Operations	1 January 2016
(6)	Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
(7)	Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
(8)	Amendments to IFRS 10 and IAS 28	On the Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	1 January 2016
(9)	Amendments to IAS 16 and IAS 41	Agriculture: bearer plants	1 January 2016
(10)	Amendments to IFRSs	Annual improvements to IFRSs 2012 — 2014 cycle	1 January 2016
(11)	IFRS 15	Revenue from Contracts with Customers	1 January 2017
(12)	IFRS 9	Financial Instruments	1 January 2018

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 2014 (Continued)

(1) 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 the defined 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 period 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.

(2) Amendments to IFRSs: 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.

(3) Amendments to IFRSs: 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.

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 2014 (Continued)

(4) IFRS 14: Regulatory Deferral Account

The IASB has issued IFRS 14 — Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). IFRS 14 is only applicable to entities that apply IFRS 1 — First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

(5) Amendments to IFRS 11: Acquisition of Interests in Joint Operations

The amendments to IFRS 11 — Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(6) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 — Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 — Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. The Group anticipates that the adoption of these 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 2014 (Continued)

(7) Amendments to IAS 27: Equity Method in Separate Financial Statements

The IASB has amended IAS 27 — Separate Financial Statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group anticipates that the adoption of this new amendment will not have a significant impact on the Group's consolidated financial statements.

(8) Amendments to IFRS 10 and IAS 28: On the Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between the requirements in IFRS 10 — Consolidated Financial Statements and those in IAS 28 — Investment in Associates and Joint Ventures in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(9) Amendments to IAS 16 and IAS 41 on Agriculture: Bearer Plants

The amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(10) Amendments to IFRSs: Annual Improvements to IFRSs 2012-2014 cycle

The Annual Improvements to IFRSs 2012 — 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 — Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 — Employee Benefits regarding discount rates, the amendments to IAS 34 Interim Financial Reporting regarding disclosure of information. The Group anticipates that the adoption of these 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 2014 (Continued)

(11) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group is in the process of assessing the impact on the Group's consolidated financial statements from this new standard.

(12) IFRS 9: Financial Instruments

The complete version of IFRS 9 – Financial Instruments was issued in July 2014. It replaces the guidance in IAS 39 — Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in which case the accumulated fair value changes in OCI will not be recycled to the profit or loss in the future. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The Group is in the process of assessing the impact on the Group's consolidated financial statements from this new standard.

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 as well as 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.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

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.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Goodwill (Continued)

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.

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.

Interest income on an impaired financial asset or a group of impaired similar financial assets is recognized using the original interest rate which was used to discount the future cash flows for the purpose of measuring the impairment loss.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the following:

(i) exchange differences arising on a monetary item that forms part of the Bank's net investment in Overseas Operations;

(ii) changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

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 and 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Tax Liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax (Continued)

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 for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

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 in the expenses in the consolidated income statement. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Employee benefits (Continued)

Post-employment benefits (Continued)

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

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 the criteria for recognition as termination benefit is met 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 the consolidated 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.

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 with banks and other financial institutions, placements with and loans to 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

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.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities, carried at amortized cost.

Financial liabilities at fair value through profit or loss

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.2 Financial liabilities (Continued)

Other financial liabilities

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

8.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.4 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 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.

8.6 De-recognition

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 de-recognition 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.7 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.8 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 46 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.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

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 will be recorded if any deficiency exists.

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 the consolidated income statement in the period in which they arise.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 construction in progress, less any impairment loss. Construction in progress is 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 short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include Cash and assets with original maturity of three months or less under Balances with Central Banks, Deposits with Banks and Other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions and Financial Assets Held under Resale Agreements.

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 de-recognition 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 ordinary 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.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution 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 Board of Directors of the Bank.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 46 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 including on the basis of reasonable expectations for future events.

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 estimates 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 carrying amounts of assets and liabilities 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.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

1 Impairment losses on loans and advances to customers (Continued)

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. The Group considers the impact of the changes and uncertainty in the macro-economic environment, in which the Group operates when assessing the methodology and assumptions used for loss estimation, as well as management's capability in managing loan portfolio, and makes adjustments where appropriate.

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.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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 other financial assets

For held-to-maturity investments and financial instruments classified as receivables, the determination of whether such an investment is impaired requires significant judgment. Objective evidence that a financial asset or group of financial 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.

For available-for-sale investments, the determination of whether such an investment 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.

5 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 during the period in which the tax treatment is finalized.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

6 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.

7 Control over structured entity

Where the Group acts as asset manager of structured 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	
	2014	**2013**
Interest income		
Loans and advances to customers	470,829	414,270
Including: Corporate loans and advances	326,541	292,774
Personal loans and advances	138,500	114,272
Discounted bills	5,788	7,224
Held-to-maturity investments	66,152	53,633
Balances with central banks	40,018	37,517
Available-for-sale financial assets	35,257	32,277
Financial assets held under resale agreements	27,981	28,693
Deposits with banks and other financial institutions	22,784	16,657
Debt instruments classified as receivables	21,644	20,921
Placements with and loans to banks and other financial institutions	12,516	7,638
Financial assets held for trading	1,923	1,431
Financial assets designated at fair value through profit or loss	185	347
Subtotal	699,289	613,384
Interest expense		
Due to customers	(221,706)	(194,903)
Deposits from banks and other financial institutions	(26,681)	(23,657)
Debt securities issued	(10,179)	(8,493)
Placements from banks and other financial institutions	(7,318)	(9,732)
Financial assets sold under repurchase agreements	(2,511)	(395)
Borrowings from central bank	(1,003)	(2)
Subtotal	(269,398)	(237,182)
Net interest income	**429,891**	**376,202**
Interest income on listed investments	99,507	88,105
Interest income on unlisted investments and other debt instruments	25,654	20,504
Interest income accrued on impaired financial assets (included within interest income)	1,002	693

(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	
	2014	**2013**
Fee and commission income		
Agency services	22,945	21,651
Settlement and clearing services	21,123	22,760
Bank card	19,279	15,929
Consultancy and advisory services	11,031	16,371
Electronic banking services	7,379	6,564
Custodian and other fiduciary	3,114	3,338
Credit commitment	2,807	2,687
Others	205	397
Subtotal	87,883	89,697
Fee and commission expense		
Bank card	(3,127)	(2,536)
Settlement and clearing services	(2,283)	(1,918)
Electronic banking services	(1,766)	(1,350)
Others	(584)	(722)
Subtotal	(7,760)	(6,526)
Net fee and commission income	**80,123**	**83,171**

3 NET TRADING GAIN

		Year ended 31 December	
		2014	**2013**
Net gain/(loss) on held-for-trading debt securities		1,179	(972)
Net gain on precious metals	(1)	667	1,561
Net gain on foreign exchange rate derivatives		115	1,557
Net (loss)/gain on interest rate derivatives		(53)	214
Total		**1,908**	**2,360**

(1) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

4 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2014	**2013**
Net gain/(loss) on principal guaranteed wealth management products	1,507	(401)
Net gain/(loss) on debt securities	12	(215)
Others	(14)	(23)
Total	**1,505**	**(639)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2014	**2013**
Insurance premium	3,684	711
Net gain on foreign exchange	2,915	312
Government grant	1,969	1,442
Gain on disposal of property and equipment	416	304
Rental income	336	377
Others	1,044	1,881
Total	**10,364**	**5,027**

6 OPERATING EXPENSES

		Year ended 31 December	
		2014	**2013**
Staff costs	(1)	111,469	104,729
General operating and administrative expenses	(2)	49,195	45,750
Business tax and surcharges	(3)	28,880	27,226
Depreciation and amortization		19,328	17,461
Insurance benefits and claims		3,904	669
Provision for guarantees and commitments		8,898	811
Others		2,224	1,961
Total		**223,898**	**198,607**

(1) Staff costs

	Year ended 31 December	
	2014	**2013**
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	66,780	63,758
Housing funds	8,186	7,213
Social insurance	4,454	3,837
Including: Medical insurance	3,848	3,302
Employment injury insurance	278	249
Maternity insurance	328	286
Labor union fees and staff education expenses	2,977	2,827
Others	12,825	12,138
Subtotal	95,222	89,773
Defined contribution benefits	14,636	13,102
Early retirement benefits	1,611	1,854
Total	**111,469**	**104,729**

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 RMB132 million for the year (2013: RMB123 million).

(3) Business tax for the Group's Domestic Operations is generally calculated as 5% of taxable income, which was declared and paid with the local tax department by Domestic Operations.

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 2014				
Item		**Fees**	**Basic salaries, allowance and benefits in kind**	**Contribution to pension schemes**	**Bonus**	**Total**
Executive Directors						
Liu Shiyu	(i)	—	179	14	—	193
Zhang Yun	(ii)	—	999	73	—	1,072
Lou Wenlong	(ii)	—	908	69	—	977
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		360	—	—	—	360
Non-Executive Directors						
Shen Bingxi	(iii)	—	—	—	—	—
Cheng Fengchao	(iii)	—	—	—	—	—
Xiao Shusheng	(iii)	—	—	—	—	—
Zhao Chao	(iii)	—	—	—	—	—
Zhou Ke	(iii)(iv)	—	—	—	—	—
Supervisors						
Che Yingxin		—	960	72	—	1,032
Wang Xingchun	(v)	—	—	—	—	—
Jia Xiangsen	(vi)	30	—	—	—	30
Zheng Xin	(vi)	30	—	—	—	30
Xia Zongyu	(vi)	30	—	—	—	30
Xia Taili	(vi)(vii)	—	—	—	—	—
Dai Genyou		280	—	—	—	280
Senior Managements						
Cai Huaxiang		—	908	69	—	977
Gong Chao		—	908	69	—	977
Wang Wei		—	908	69	—	977
Li Zhenjiang	(viii)	—	908	69	—	977
Zhu Gaoming	(viii)	—	679	33	—	712
Executive Directors resigned						
Jiang Chaoliang	(ix)	—	802	61	—	863
Guo Haoda	(x)	—	605	46	—	651
Non-executive Directors resigned						
Li Yelin	(xi)	—	—	—	—	—
Lin Damao	(xii)	—	—	—	—	—
Supervisors resigned						
Liu Hong	(xiii)	—	—	—	—	—
Zhang Jianzhong	(xiv)	30	—	—	—	30
Total		**2,320**	**8,764**	**644**	**—**	**11,728**

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) *Liu Shiyu was elected Chairman of the Board of Directors effective 11 Dec 2014.*

(ii) *Zhang Yun 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.*

(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) *Zhou Ke was elected Non-Executive Director effective 31 July 2014.*

(v) *Wang Xingchun was elected Shareholder Representative Supervisor effective 23 June 2014. Wang Xingchun did not receive any emoluments for his part-time position as shareholder representative supervisor from the Bank in 2014.*

(vi) *For Employee Representative Supervisors of the Bank, the amounts set forth above only included fees for their services as supervisors.*

(vii) *Xia Taili was elected Supervisor representing employees of the Bank effective 2 December 2014 at the Employee Representatives Meeting.*

(viii) *Li Zhenjiang ceased to be Secretary to the Board of Directors effective 27 March 2014. Zhu Gaoming was elected Secretary to the Board of Directors effective 27 March 2014.*

(ix) *Jiang Chaoliang ceased to be Chairman of the Board of Directors effective 31 August 2014.*

(x) *Guo Haoda ceased to be Executive Director effective 9 September 2014. In his tenure, he was also the Senior Management of the Group and his emolument disclosed above include that for service rendered by him as the Senior Management.*

(xi) *Li Yelin ceased to be Non-Executive Director effective 28 July 2014.*

(xii) *Lin Damao ceased to be Non-Executive Director effective 5 August 2014.*

(xiii) *Liu Hong ceased to be Shareholder Representative Supervisor effective 24 April 2014. Liu Hong did not receive any emoluments for his part-time position as Shareholder Representative Supervisor from the Bank in 2014.*

(xiv) *Zhang Jianzhong ceased to be Employee Representative Supervisor effective 2 December 2014.*

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 2013				
Item		**Fees**	**Basic salaries, allowance and benefits in kind**	**Contribution to pension schemes**	**Bonus**	**Total**
Executive Directors						
Jiang Chaoliang		—	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) Zhang Yun, Guo Haoda and Lou Wenlong were 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.

As of the announcement date of these consolidated financial statements, the above compensation package for the Directors, Supervisors and Senior Management for the years ended 31 December 2014 and 31 December 2013 have not been finalized. 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. 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)

(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 2014 and 2013 were as follows (in thousands of RMB):

	Year ended 31 December	
	2014	**2013**
Basic salaries and allowance	7,435	7,889
Discretionary bonuses	7,682	6,342
Contribution to pension schemes and other	867	542
Total	**15,984**	**14,773**

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2014	**2013**
RMB2,500,000 to RMB3,000,000 yuan	1	3
RMB3,000,001 to RMB3,500,000 yuan	3	1
RMB3,500,001 to RMB4,000,000 yuan	1	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	
	2014	**2013**
Loans and advances to customers	65,063	52,126
Placements with and loans to banks and other financial institutions	1,181	200
Debt instruments classified as receivables	861	141
Held-to-maturity investments	279	379
Property and equipment	27	14
Deposits with banks and other financial institutions	—	(34)
Available-for-sale financial assets	(37)	(129)
Other assets	597	293
Total	**67,971**	**52,990**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	**2013**
Current income tax		
— PRC Enterprise Income Tax	65,291	57,503
— Hong Kong Profits Tax	386	305
— Other jurisdictions	222	61
Subtotal	65,899	57,869
Deferred tax (Note IV 25)	(13,152)	(9,906)
Total	**52,747**	**47,963**

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 years ended 31 December 2014 and 2013 can be reconciled to the profit per the consolidated income statement as follows:

		Year ended 31 December	
		2014	**2013**
Profit before tax		232,257	214,174
Tax calculated at applicable PRC statutory tax rate of 25%		58,064	53,544
Tax effect of income not taxable for tax purpose	(1)	(7,083)	(6,652)
Tax effect of items such as expenses not deductible for tax purpose		1,770	1,077
Effect of different tax rates in other jurisdictions		(4)	(6)
Income tax expense		**52,747**	**47,963**

(1) Non-taxable income primarily includes 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	
		2014	2013
Dividends on ordinary shares declared and paid			
Cash dividend related to 2013	(1)	57,489	—
Cash dividend related to 2012	(2)	—	50,830
		57,489	**50,830**

A final dividend of RMB0.182 per ordinary share in respect of the year ended 31 December 2014 totalling RMB59,113 million has been proposed by the directors and is subject to approval by the ordinary shareholders in the annual general meeting.

(1) Distribution of final dividend for 2013

A cash dividend of RMB0.177 per share related to 2013, amounting to RMB57,489 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2013 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 23 June 2014.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2014.

(2) 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 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.

11 EARNINGS PER SHARE

	Year ended 31 December	
	2014	2013
Earnings:		
Profit for the year attributable to equity holders of the Bank	179,461	166,315
Less: profit for the year attributable to preference shareholders of the Bank	—	—
Profit for the year attributable to ordinary shareholders of the Bank	179,461	166,315
Number of shares:		
Weighted average number of ordinary shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.55	0.51

The Bank issued non-cumulative preference shares during the year ended 31 December 2014 under the terms and conditions as detailed in Note IV 37 Preference Shares. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to ordinary shareholders of the Bank. The Bank has not declared any dividend on preference shares for the year ended 31 December 2014.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE (Continued)

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2014 and the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

12 CASH AND BALANCES WITH CENTRAL BANKS

Group

		As at 31 December	
		2014	**2013**
Cash		111,962	99,759
Mandatory reserve deposits with central banks	(1)	2,409,181	2,279,918
Surplus reserve deposits with central banks	(2)	49,253	100,519
Other deposits with central banks	(3)	172,669	123,606
Total		**2,743,065**	**2,603,802**

Bank

		As at 31 December	
		2014	**2013**
Cash		111,914	99,737
Mandatory reserve deposits with central banks	(1)	2,408,994	2,279,774
Surplus reserve deposits with central banks	(2)	49,220	100,508
Other deposits with central banks	(3)	172,669	123,606
Total		**2,742,797**	**2,603,625**

(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 2014, 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 2013: 18%), while for the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits were based on 20% of qualified RMB deposits (31 December 2013: 20%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2013: 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. The 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 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	
	2014	**2013**
Deposits with:		
Domestic banks	543,394	360,762
Other domestic financial institutions	2,021	1,713
Overseas banks	27,390	35,203
Total	**572,805**	**397,678**

Bank

	As at 31 December	
	2014	**2013**
Deposits with:		
Domestic banks	534,046	353,117
Other domestic financial institutions	2,020	1,713
Overseas banks	26,726	35,108
Total	**562,792**	**389,938**

As at 31 December 2014, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB1,833 million (31 December 2013: RMB1,205 million). These deposits were mainly security deposits pledged with exchanges.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2014	**2013**
Placements with and loans to:		
Domestic banks	124,060	81,436
Other domestic financial institutions	267,358	223,566
Overseas banks	17,400	4,228
Gross amount	408,818	309,230
Allowance for impairment losses — collectively assessed	(1,756)	(575)
Placements with and loans to banks and other financial institutions	**407,062**	**308,655**

Bank

	As at 31 December	
	2014	**2013**
Placements with and loans to:		
Domestic banks	124,060	81,436
Other domestic financial institutions	270,408	223,866
Overseas banks	20,113	6,240
Gross amount	414,581	311,542
Allowance for impairment losses — collectively assessed	(1,756)	(575)
Placements with and loans to banks and other financial institutions	**412,825**	**310,967**

(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	
		2014	**2013**
Debt securities issued by:			
Governments		3,545	4,979
Public sector and quasi-governments		23,445	24,073
Financial institutions		1,112	474
Corporates		12,708	12,486
Subtotal		40,810	42,012
Equity instruments		—	48
Precious metal contracts		17,615	11,804
Total		**58,425**	**53,864**
Analyzed as:			
Listed outside Hong Kong	(1)	40,632	42,060
Unlisted		17,793	11,804
Total		**58,425**	**53,864**

Bank

		As at 31 December	
		2014	**2013**
Debt securities issued by:			
Governments		3,545	4,979
Public sector and quasi-governments		23,445	24,073
Financial institutions		1,112	474
Corporates		12,708	12,167
Subtotal		40,810	41,693
Precious metal contracts		17,615	11,804
Total		**58,425**	**53,497**
Analyzed as:			
Listed outside Hong Kong	(1)	40,632	41,693
Unlisted		17,793	11,804
Total		**58,425**	**53,497**

(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	
		2014	**2013**
Debt securities issued by:			
Governments		11,235	8,721
Public sector and quasi-governments		25,278	25,983
Financial institutions		2,899	11,021
Corporates		6,681	12,282
Subtotal		46,093	58,007
Interests in trust products	(1)	248,794	171,280
Other debt instruments	(1)	59,876	38,710
Equity instruments		1,472	1,021
Total		**356,235**	**269,018**
Analyzed as:			
Listed in Hong Kong		816	183
Listed outside Hong Kong	(2)	31,963	43,255
Unlisted		323,456	225,580
Total		**356,235**	**269,018**

Bank

		As at 31 December	
		2014	**2013**
Debt securities issued by:			
Governments		11,235	8,721
Public sector and quasi-governments		25,278	25,983
Financial institutions		2,899	11,021
Corporates		6,681	12,282
Subtotal		46,093	58,007
Interests in trust products	(1)	248,794	171,277
Other debt instruments	(1)	60,876	38,710
Total		**355,763**	**267,994**
Analyzed as:			
Listed in Hong Kong		181	183
Listed outside Hong Kong	(2)	31,963	43,255
Unlisted		323,619	224,556
Total		**355,763**	**267,994**

(1) Underlying assets of the trust products and other debt instruments held by the Group mainly include credit assets, deposits with domestic banks and other domestic financial institutions and debt securities, which have been disclosed in Note IV 45 Structured Entities.

(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. As at 31 December 2014 and 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 did not elect to settle these financial assets and financial liabilities on a net basis. 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 2014		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	340,045	3,078	(2,241)
Currency swaps	481,198	2,476	(3,675)
Cross-currency interest rate swaps	6,785	192	(251)
Currency options	33,112	72	(79)
Subtotal		5,818	(6,246)
Interest rate derivatives			
Interest rate swaps	166,002	795	(936)
Precious metal contracts	12,732	561	(58)
Others	55	21	—
Total derivative financial assets and liabilities		**7,195**	**(7,240)**

	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 derivatives financial assets and liabilities		**8,186**	**(7,635)**

(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 2014		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	333,559	2,998	(2,225)
Currency swaps	474,327	2,332	(3,523)
Cross-currency interest rate swaps	6,785	192	(251)
Currency options	33,112	72	(79)
Subtotal		5,594	(6,078)
Interest rate derivatives			
Interest rate swaps	166,002	795	(936)
Precious metal contracts	12,732	561	(58)
Total derivative financial assets and liabilities		**6,950**	**(7,072)**

	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 derivatives financial assets and liabilities		**8,176**	**(7,633)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of the customers and maturity characteristics of each type of contract. As at 31 December 2014, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings — Based approach as disclosed in Note IV 49 Capital Management.

	As at 31 December 2014	
	Group	**Bank**
Credit risk weighted amount for counterparty	12,576	12,298

As at 31 December 2013, credit risk weighted amount for derivative transaction counterparty of the Group and the Bank were RMB11,380 million and RMB11,326 million, respectively, which was measured under the Weighted approach as disclosed in Note IV 49 Capital Management.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Group

	As at 31 December	
	2014	**2013**
Analyzed by collateral type:		
Debt securities	209,160	402,454
Bills	300,258	332,921
Loans and others	—	1,677
Total	**509,418**	**737,052**

Bank

	As at 31 December	
	2014	**2013**
Analyzed by collateral type:		
Debt securities	209,154	402,144
Bills	300,258	332,921
Loans and others	—	1,677
Total	**509,412**	**736,742**

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in Note IV 46 Contingent Liabilities and Commitments — 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	
	2014	**2013**
Corporate loans and advances		
Loans and advances	5,516,854	5,031,088
Discounted bills	180,229	97,993
Subtotal	5,697,083	5,129,081
Personal loans and advances	2,400,984	2,095,632
Gross loans and advances	8,098,067	7,224,713
Allowance for impairment losses		
Individually assessed	(73,094)	(50,127)
Collectively assessed	(284,977)	(272,064)
Total allowance for impairment losses	(358,071)	(322,191)
Loans and advances to customers, net	7,739,996	6,902,522

Bank

	As at 31 December	
	2014	**2013**
Corporate loans and advances		
Loans and advances	5,476,778	4,994,468
Discounted bills	180,226	97,991
Subtotal	5,657,004	5,092,459
Personal loans and advances	2,399,975	2,094,948
Gross loans and advances	8,056,979	7,187,407
Allowance for impairment losses		
Individually assessed	(72,578)	(50,050)
Collectively assessed	(284,053)	(271,174)
Total allowance for impairment losses	(356,631)	(321,224)
Loans and advances to customers, net	7,700,348	6,866,183

(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)			Total	Identified impaired gross 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		
31 December 2014						
Gross loans and advances	7,973,097	21,063	103,907	124,970	8,098,067	1.54
Allowance for impairment losses	(270,386)	(14,591)	(73,094)	(87,685)	(358,071)	
Loans and advances to customers, net	**7,702,711**	**6,472**	**30,813**	**37,285**	**7,739,996**	
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**	

Bank

	Loans and advances for which the allowance is collectively assessed (1)	Identified impaired loans and advances (2)			Total	Identified impaired gross 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		
31 December 2014						
Gross loans and advances	7,932,727	21,052	103,200	124,252	8,056,979	1.54
Allowance for impairment losses	(269,466)	(14,587)	(72,578)	(87,165)	(356,631)	
Loans and advances to customers, net	**7,663,261**	**6,465**	**30,622**	**37,087**	**7,700,348**	
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**	

(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):

(1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

(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 2014		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2014	50,127	272,064	322,191
Impairment allowance on loans charged	58,579	59,031	117,610
Reversal of impairment allowance	(9,976)	(42,571)	(52,547)
Net additions	48,603	16,460	65,063
Write-offs and transfer out	(25,772)	(3,450)	(29,222)
Recovery of loans and advances written off in previous years	921	220	1,141
Unwinding of discount on allowance	(688)	(314)	(1,002)
Exchange difference	(97)	(3)	(100)
31 December 2014	**73,094**	**284,977**	**358,071**

	Year ended 31 December 2013		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2013	52,242	227,746	279,988
Impairment allowance on loans charged	16,390	73,442	89,832
Reversal of impairment allowance	(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**

(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 2014		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2014	50,050	271,174	321,224
Impairment allowance on loans charged	58,140	58,817	116,957
Reversal of impairment allowance	(9,976)	(42,390)	(52,366)
Net additions	48,164	16,427	64,591
Write-offs and transfer out	(25,772)	(3,450)	(29,222)
Recovery of loans and advances written off in previous years	921	220	1,141
Unwinding of discount on allowance	(688)	(314)	(1,002)
Exchange difference	(97)	(4)	(101)
31 December 2014	**72,578**	**284,053**	**356,631**

	Year ended 31 December 2013		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
1 January 2013	52,242	227,339	279,581
Impairment allowance on loans charged	16,313	72,927	89,240
Reversal of impairment allowance	(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**

(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	
		2014	**2013**
Debt securities issued by:			
Governments		147,513	149,808
Public sector and quasi-governments		449,232	409,382
Financial institutions		138,698	52,030
Corporates		186,574	167,724
Subtotal		922,017	778,944
Fund investments	(1)	3,358	988
Equity instruments		2,528	819
Others	(1)	—	560
Total		**927,903**	**781,311**
Analyzed as:			
Debt securities			
Listed in Hong Kong		19,163	14,442
Listed outside Hong Kong	(2)	892,466	749,029
Unlisted		10,388	16,033
Equity instruments, fund investments and others			
Listed in Hong Kong		79	—
Listed outside Hong Kong		4,307	1,141
Unlisted	(3)	1,500	666
Total		**927,903**	**781,311**

Bank

		As at 31 December	
		2014	**2013**
Debt securities issued by:			
Governments		147,342	149,584
Public sector and quasi-governments		448,190	409,382
Financial institutions		138,421	50,751
Corporates		182,857	166,494
Subtotal		916,810	776,211
Equity instruments		571	504
Total		**917,381**	**776,715**
Analyzed as:			
Debt securities			
Listed in Hong Kong		19,096	14,430
Listed outside Hong Kong	(2)	887,326	745,763
Unlisted		10,388	16,018
Equity instruments			
Listed outside Hong Kong		287	—
Unlisted	(3)	284	504
Total		**917,381**	**776,715**

(1) *The Group's available-for-sale fund investments and other investments have been disclosed in Note IV 45 Structured Entities.*

(2) *Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".*

(3) *As at 31 December 2014, unlisted equity instruments of the Group and the Bank amounted to RMB284 million were measured at cost because their fair value cannot be reliably measured (31 December 2013: RMB241 million).*

(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	
		2014	**2013**
Debt securities issued by:			
Governments		548,330	519,265
Public sector and quasi-governments		936,274	808,838
Financial institutions		67,878	29,688
Corporates		159,349	166,623
Gross amount		1,711,831	1,524,414
Allowance for impairment losses-collectively assessed		(881)	(599)
Held-to-maturity investments, net		1,710,950	1,523,815
Analyzed as:			
Listed in Hong Kong		1,381	715
Listed outside Hong Kong	(1)	1,700,044	1,521,141
Unlisted		9,525	1,959
Total		**1,710,950**	**1,523,815**

Bank

		As at 31 December	
		2014	**2013**
Debt securities issued by:			
Governments		548,330	519,265
Public sector and quasi-governments		934,063	808,838
Financial institutions		65,853	27,012
Corporates		156,143	163,482
Gross amount		1,704,389	1,518,597
Allowance for impairment losses-collectively assessed		(881)	(599)
Held-to-maturity investments, net		1,703,508	1,517,998
Analyzed as:			
Listed in Hong Kong		1,381	715
Listed outside Hong Kong	(1)	1,692,991	1,515,324
Unlisted		9,136	1,959
Total		**1,703,508**	**1,517,998**

(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	
		2014	**2013**
Debt instruments:			
Receivable from the MOF	(1)	278,314	362,054
Special government bond	(2)	93,300	93,300
Public sector and quasi-government bonds		56,141	66,485
Financial institution bonds		45,334	27,124
Corporate bonds		35,020	31,018
Certificate treasury bonds and savings treasury bonds		3,590	6,037
Others	(3)	11,621	6,414
Gross amount, unlisted		523,320	592,432
Allowance for impairment losses			
Individually assessed		(478)	(44)
Collectively assessed		(725)	(298)
Total allowance for impairment losses		(1,203)	(342)
Debt instruments classified as receivables, net		**522,117**	**592,090**

Bank

		As at 31 December	
		2014	**2013**
Debt instruments:			
Receivable from the MOF	(1)	278,314	362,054
Special government bond	(2)	93,300	93,300
Public sector and quasi-government bonds		56,141	66,485
Financial institution bonds		46,295	27,124
Corporate bonds		34,277	31,018
Certificate treasury bonds and savings treasury bonds		3,462	5,820
Others		646	—
Gross amount, unlisted		512,435	585,801
Allowance for impairment losses			
Individually assessed		(463)	(44)
Collectively assessed		(798)	(298)
Total allowance for impairment losses		(1,261)	(342)
Debt instruments classified as receivables, net		**511,174**	**585,459**

(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.*

(3) *Other debt instruments classified as receivables have been disclosed in Note IV 45 Structured Entities.*

(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	
	2014	**2013**
Investment cost	11,223	8,907
Allowance for impairment losses	(659)	(659)
Investments in subsidiaries	**10,564**	**8,248**

The following are the principal subsidiaries of the Bank as at 31 December 2014:

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	(i)	11 November 2009	Hong Kong, PRC	HKD4,113,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.	(i)	29 September 2010	Shanghai, PRC	RMB3,000,000,000	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	(ii)	12 August 2008	Hubei, PRC	RMB31,000,000	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.	(iii)	19 December 2005	Beijing, PRC	RMB2,032,653,061	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited	(iv)	26 November 2014	Luxembourg, Luxembourg	EUR 20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited	(iv)	23 December 2014	Moscow, Russia	RUB1,400,000,000	100.00	100.00	Banking

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 INVESTMENT IN SUBSIDIARIES (Continued)

During the year ended 31 December 2014, other than subsidiaries newly established, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(i) During the year ended 31 December 2014, the Bank contributed additional registered capital to ABC International Holdings Limited and ABC Financial Leasing Co., Ltd. of HKD1,200 million and RMB1,000 million, respectively.

(ii) 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.

(iii) On 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., and the Group recognized goodwill of RMB1,381 million as a result of this acquisition. For the years ended 31 December 2014 and 2013, there was no objective evidence noted for any goodwill impairment.

(iv) During the year ended 31 December 2014, the Bank established Agricultural Bank of China (Luxembourg) Limited and Agricultural Bank of China (Moscow) Limited as its wholly-owned 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 2014	124,294	55,314	4,746	28,682	213,036
Additions	1,526	7,703	604	13,263	23,096
Transfers	17,569	491	—	(18,060)	—
Disposals	(594)	(7,460)	(536)	—	(8,590)
31 December 2014	142,795	56,048	4,814	23,885	227,542
Accumulated depreciation					
1 January 2014	(31,529)	(27,400)	(2,947)	—	(61,876)
Charge for the year	(7,574)	(8,723)	(318)	—	(16,615)
Eliminated on disposals	370	5,335	512	—	6,217
31 December 2014	(38,733)	(30,788)	(2,753)	—	(72,274)
Allowance for impairment losses					
1 January 2014	(288)	(10)	(2)	(1)	(301)
Impairment loss	(20)	—	—	(7)	(27)
Eliminated on disposals	9	1	—	—	10
31 December 2014	(299)	(9)	(2)	(8)	(318)
Carrying value					
31 December 2014	**103,763**	**25,251**	**2,059**	**23,877**	**154,950**
1 January 2014	92,477	27,904	1,797	28,681	150,859
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

(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 2014	122,927	55,115	4,722	28,193	210,957
Additions	1,412	7,532	601	12,691	22,236
Transfers	17,568	491	—	(18,059)	—
Disposals	(538)	(7,417)	(518)	—	(8,473)
31 December 2014	141,369	55,721	4,805	22,825	224,720
Accumulated depreciation					
1 January 2014	(31,421)	(27,302)	(2,932)	—	(61,655)
Charge for the year	(7,530)	(8,702)	(316)	—	(16,548)
Eliminated on disposals	349	5,330	496	—	6,175
31 December 2014	(38,602)	(30,674)	(2,752)	—	(72,028)
Allowance for impairment losses					
1 January 2014	(288)	(10)	(2)	(1)	(301)
Impairment loss	(20)	—	—	(7)	(27)
Eliminated on disposals	9	1	—	—	10
31 December 2014	(299)	(9)	(2)	(8)	(318)
Carrying value					
31 December 2014	**102,468**	**25,038**	**2,051**	**22,817**	**152,374**
1 January 2014	91,218	27,803	1,788	28,192	149,001
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

(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 2014, the registration transfer process of certain properties 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	
	2014	**2013**
Held in Hong Kong		
on long-term lease (over 50 years)	117	83
Held outside Hong Kong		
on long-term lease (over 50 years)	4,869	4,451
on medium-term lease (10–50 years)	89,601	79,003
on short-term lease (less than 10 years)	9,176	8,940
Subtotal	103,646	92,394
Total	**103,763**	**92,477**

Bank

	As at 31 December	
	2014	**2013**
Held in Hong Kong		
on long-term lease (over 50 years)	82	83
Held outside Hong Kong		
on long-term lease (over 50 years)	4,869	4,451
on medium-term lease (10–50 years)	88,341	77,744
on short-term lease (less than 10 years)	9,176	8,940
Subtotal	102,386	91,135
Total	**102,468**	**91,218**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 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	
	2014	**2013**
Deferred tax assets	78,640	74,075
Deferred tax liabilities	(43)	(8)
Net	**78,597**	**74,067**

Bank

	As at 31 December	
	2014	**2013**
Deferred tax assets	78,368	73,938

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 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 2014	56,137	6,165	2,589	1,181	8,011	(16)	74,067
Credit/(charge) to the consolidated income statement	11,377	83	(354)	2,295	(289)	40	13,152
Charge to other comprehensive income	—	—	—	—	(8,622)	—	(8,622)
31 December 2014	**67,514**	**6,248**	**2,235**	**3,476**	**(900)**	**24**	**78,597**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 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 2014	56,024	6,157	2,589	1,181	8,000	(13)	73,938
Credit/(charge) to the income statement	11,234	80	(354)	2,295	(288)	38	13,005
Charge to other comprehensive income	—	—	—	—	(8,575)	—	(8,575)
31 December 2014	**67,258**	**6,237**	**2,235**	**3,476**	**(863)**	**25**	**78,368**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 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 2014		31 December 2013	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	270,124	67,514	224,604	56,137
Fair value changes of financial instruments	10,404	2,601	42,899	10,725
Accrued but not paid staff cost	24,992	6,248	24,661	6,165
Early retirement benefits	8,938	2,235	10,356	2,589
Provision	13,902	3,476	4,723	1,181
Others	228	57	40	9
Subtotal	328,588	82,131	307,283	76,806
Deferred tax liabilities				
Fair value changes of financial instruments	(14,006)	(3,501)	(10,857)	(2,714)
Others	(140)	(33)	(157)	(25)
Subtotal	(14,146)	(3,534)	(11,014)	(2,739)
Net	**314,442**	**78,597**	**296,269**	**74,067**

Bank

	31 December 2014		31 December 2013	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	269,100	67,258	224,152	56,024
Fair value changes of financial instruments	10,404	2,601	42,831	10,708
Accrued but not paid staff cost	24,948	6,237	24,627	6,157
Early retirement benefits	8,938	2,235	10,356	2,589
Provision	13,902	3,476	4,723	1,181
Others	208	52	22	4
Subtotal	327,500	81,859	306,711	76,663
Deferred tax liabilities				
Fair value changes of financial instruments	(13,855)	(3,464)	(10,831)	(2,708)
Others	(109)	(27)	(106)	(17)
Subtotal	(13,964)	(3,491)	(10,937)	(2,725)
Net	**313,536**	**78,368**	**295,774**	**73,938**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 OTHER ASSETS

Group

		As at 31 December	
		2014	**2013**
Interest receivable		97,948	75,022
Land use rights	(1)	23,524	23,857
Accounts receivable and temporary payments	(2)	16,708	18,656
Premiums receivable and reinsurance assets		13,532	9,346
Long-term deferred expenses		3,649	3,480
Investment property		2,846	3,312
Intangible assets		2,593	2,627
Foreclosed assets		487	873
Others		2,535	1,435
Total		**163,822**	**138,608**

Bank

		As at 31 December	
		2014	**2013**
Interest receivable		97,411	74,607
Land use rights	(1)	23,074	23,838
Accounts receivable and temporary payments	(2)	15,924	17,210
Long-term deferred expenses		3,640	3,470
Investment property		2,916	2,905
Intangible assets		2,400	2,426
Foreclosed assets		487	873
Others		2,438	1,355
Total		**148,290**	**126,684**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 OTHER ASSETS (Continued)

(1) Land use rights

The carrying amount of land use rights (including leasehold land in Hong Kong) analyzed by the remaining terms of the leases:

Group

	As at 31 December	
	2014	**2013**
Held in Hong Kong		
on long-term lease (over 50 years)	1,458	1,023
Held outside Hong Kong		
on long-term lease (over 50 years)	394	367
on medium-term lease (10–50 years)	21,624	22,402
on short-term lease (less than 10 years)	48	65
Subtotal	22,066	22,834
Total	**23,524**	**23,857**

Bank

	As at 31 December	
	2014	**2013**
Held in Hong Kong		
on long-term lease (over 50 years)	1,027	1,023
Held outside Hong Kong		
on long-term lease (over 50 years)	394	367
on medium-term lease (10–50 years)	21,605	22,383
on short-term lease (less than 10 years)	48	65
Subtotal	22,047	22,815
Total	**23,074**	**23,838**

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 2014, the registration transfer process of certain land use rights 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.

27 BORROWINGS FROM CENTRAL BANK

As at 31 December 2014, borrowings from central bank mainly include Medium-term Lending Facilities from PBOC amounting to RMB80,000 million (31 December 2013: None).

(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	
	2014	**2013**
Deposits from:		
Domestic banks	148,043	172,322
Other domestic financial institutions	666,905	547,711
Overseas banks	13,045	8,153
Other overseas financial institutions	3,148	1,168
Total	**831,141**	**729,354**

Bank

	As at 31 December	
	2014	**2013**
Deposits from:		
Domestic banks	148,304	173,459
Other domestic financial institutions	670,267	549,413
Overseas banks	13,046	8,154
Other overseas financial institutions	3,148	1,168
Total	**834,765**	**732,194**

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December	
	2014	**2013**
Placements from:		
Domestic banks and other financial institutions	62,537	64,511
Overseas banks and other financial institutions	162,386	109,852
Total	**224,923**	**174,363**

Bank

	As at 31 December	
	2014	**2013**
Placements from:		
Domestic banks and other financial institutions	40,191	38,135
Overseas banks and other financial institutions	157,612	107,789
Total	**197,803**	**145,924**

(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

	As at 31 December	
	2014	**2013**
Principal guaranteed wealth management products	347,282	285,454

Bank

	As at 31 December	
	2014	**2013**
Principal guaranteed wealth management products	347,286	285,454

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 2014, 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 RMB8,558 million (31 December 2013: RMB6,104 million).

For the current and prior year, there were no significant changes in the fair value of the Group and the Bank's financial liabilities designated at fair value through profit or loss that were attributable to the changes in the Group and the Bank's own credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Group

	As at 31 December	
	2014	**2013**
Analyzed by type of collateral:		
Debt securities	131,021	26,391
Bills	—	37
Loans	—	359
Total	**131,021**	**26,787**

Bank

	As at 31 December	
	2014	**2013**
Analyzed by type of collateral:		
Debt securities	126,950	24,633
Bills	—	37
Total	**126,950**	**24,670**

The collateral pledged under repurchase agreement is disclosed in Note IV 46 Contingent Liabilities and Commitments — 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	
		2014	**2013**
Demand deposits			
Corporate customers		3,012,527	3,014,858
Individual customers		3,546,541	3,437,661
Time deposits			
Corporate customers		1,485,274	1,345,988
Individual customers		3,882,102	3,490,197
Pledged deposits	(1)	299,437	247,656
Others		307,516	275,051
Total		**12,533,397**	**11,811,411**

Bank

		As at 31 December	
		2014	**2013**
Demand deposits			
Corporate customers		3,012,745	3,014,816
Individual customers		3,546,432	3,437,536
Time deposits			
Corporate customers		1,485,168	1,346,016
Individual customers		3,881,683	3,489,914
Pledged deposits	(1)	296,625	244,830
Others		307,516	275,051
Total		**12,530,169**	**11,808,163**

(1) Analyzed by the activity to which the deposits are related:

Group

	As at 31 December	
	2014	**2013**
Bank acceptance	118,330	89,842
Guarantee and letters of guarantee	63,630	45,625
Trade finance	50,423	30,305
Letters of credit	21,567	29,918
Others	45,487	51,966
Total	**299,437**	**247,656**

(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: (Continued)

Bank

	As at 31 December	
	2014	**2013**
Bank acceptance	118,330	89,842
Guarantee and letters of guarantee	63,630	45,625
Trade finance	50,423	30,305
Letters of credit	21,567	29,918
Others	42,675	49,140
Total	**296,625**	**244,830**

34 DEBT SECURITIES ISSUED

Group

		As at 31 December	
		2014	**2013**
Bonds issued	(1)	191,994	156,300
Certificates of deposit issued	(2)	113,388	106,991
Commercial papers issued	(3)	11,800	—
Interbank certificates of deposit issued	(4)	7,985	2,970
Total		**325,167**	**266,261**

Bank

		As at 31 December	
		2014	**2013**
Bonds issued	(1)	190,163	156,300
Certificates of deposit issued	(2)	113,388	106,991
Commercial papers issued	(3)	11,800	—
Interbank certificates of deposit issued	(4)	7,985	2,970
Total		**323,336**	**266,261**

As at 31 December 2014 and 2013, there was no default related to any debt securities issued.

(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:

Group

		As at 31 December	
		2014	**2013**
5.3% subordinated fixed rate bonds maturing in June 2026	(i)	50,000	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(ii)	50,000	50,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iii)	30,000	—
4.0% subordinated fixed rate bonds maturing in May 2024	(iv)	25,000	25,000
3.2% fixed rate RMB bonds maturing in November 2015	(v)	1,000	1,000
3.3% subordinated fixed rate bonds maturing in May 2019	(vi)	—	20,000
Subordinated floating rate bonds maturing in May 2019	(vii)	—	5,000
Medium term notes issued	(viii)	36,125	5,404
Total nominal value		192,125	156,404
Less: Unamortized issuance cost and discounts		(131)	(104)
Carrying value		**191,994**	**156,300**

Bank

		As at 31 December	
		2014	**2013**
5.3% subordinated fixed rate bonds maturing in June 2026	(i)	50,000	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(ii)	50,000	50,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(iii)	30,000	—
4.0% subordinated fixed rate bonds maturing in May 2024	(iv)	25,000	25,000
3.2% fixed rate RMB bonds maturing in November 2015	(v)	1,000	1,000
3.3% subordinated fixed rate bonds maturing in May 2019	(vi)	—	20,000
Subordinated floating rate bonds maturing in May 2019	(vii)	—	5,000
Medium term notes issued	(viii)	34,289	5,404
Total nominal value		190,289	156,404
Less: Unamortized issuance cost and discounts		(126)	(104)
Carrying value		**190,163**	**156,300**

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 Group are set out as below:

(i) *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 did not exercise this option, the coupon rate of the bonds would remain at 5.3% per annum from 7 June 2021 onwards.*

(ii) *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 did not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.*

(iii) *The Tier-two capital bonds issued in August 2014 have a tenor of 10 years, with a fixed coupon rate of 5.8% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 17 August 2019 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 5.8% per annum from 18 August 2019 onwards. The Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, which allows the Bank to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These Tier-two capital bonds are qualified as Tier-two Capital Instruments in accordance with the CBRC requirements.*

(iv) *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 would not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 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 May 2009 had a tenor of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank had an option and had exercised the option to redeem all of the bonds at face value on 20 May 2014.*

(vii) *The subordinated floating rate bonds issued in May 2009 had a tenor of 10 years. The coupon rate was based on the PBOC one-year fixed deposit rate on the issue date and reset annually plus 60 basis points. Interest was payable annually. The Bank had an option and had exercised the option to redeem all of the bonds at face value on 20 May 2014.*

(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:* (Continued)

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below: (Continued)

(viii) *The medium term notes (MTN) were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of medium term notes issued were as follows:*

Group

	As at 31 December 2014		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	January 2015 to December 2018	0.21–2.875	18,774
Fixed rate RMB MTNs	February 2015 to August 2019	2.70–3.80	11,683
Fixed rate CHF MTNs	July 2015 to August 2015	0.85–1.00	1,743
Floating rate USD MTNs	April 2015 to March 2017	3-month USD LIBOR plus 0.88 to 1.35	1,626
Fixed rate EUR MTNs	August 2015 to September 2015	0.99–1.12	895
Fixed rate HKD MTNs	May 2015 to August 2015	1.35–1.49	600
Fixed rate JPY MTNs	August 2015 to November 2015	0.50–0.70	431
Zero coupon EUR MTN	January 2015	—	373
Total			**36,125**

Bank

	As at 31 December 2014		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	January 2015 to December 2018	0.85–2.875	16,938
Fixed rate RMB MTNs	February 2015 to August 2019	2.70–3.80	11,683
Fixed rate CHF MTNs	July 2015 to August 2015	0.85–1.00	1,743
Floating rate USD MTNs	April 2015 to March 2017	3-month USD LIBOR plus 0.88–1.35	1,626
Fixed rate EUR MTNs	August 2015 to September 2015	0.99–1.12	895
Fixed rate HKD MTNs	May 2015 to August 2015	1.35–1.49	600
Fixed rate JPY MTNs	August 2015 to November 2015	0.50–0.70	431
Zero coupon EUR MTN	January 2015	—	373
Total			**34,289**

Group and Bank

	As at 31 December 2013		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate USD MTNs	December 2018	2.875	3,040
Fixed rate RMB MTNs	June 2014 to December 2018	2.40–3.60	2,364
Total			**5,404**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 DEBT SECURITIES ISSUED (Continued)

(2) As at 31 December 2014, certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost.

(3) As at 31 December 2014, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers range from seven days to one year, with the interest rates ranging from 0.19% to 0.93%.

(4) The interbank certificates of deposit were issued by the Head Office of the Bank. As at 31 December 2014, the face value of outstanding interbank certificates of deposit issued with a tenor of three months, nine months and one year were RMB4,000 million, RMB3,000 million and RMB1,000 million, respectively. As at 31 December 2013, the face value of outstanding interbank certificates of deposit issued were RMB3,000 million with a tenor of three months.

35 OTHER LIABILITIES

Group

		As at 31 December	
		2014	**2013**
Interest payable		192,876	163,328
Clearing and settlement		46,433	51,365
Insurance liabilities		42,789	30,864
Income taxes payable		41,338	44,263
Staff costs payable	(1)	40,511	45,573
Provision		13,902	4,723
Business and other taxes payable		7,535	7,492
Amount payable to the MOF	(2)	3,275	1,539
Dormant accounts		1,616	1,871
Others		45,712	44,365
Total		**435,987**	**395,383**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 OTHER LIABILITIES (Continued)

Bank

		As at 31 December	
		2014	**2013**
Interest payable		192,688	163,221
Clearing and settlement		46,431	51,346
Income taxes payable		41,187	44,132
Staff costs payable	(1)	40,163	45,220
Provision		13,902	4,723
Business and other taxes payable		7,553	7,492
Amount payable to the MOF	(2)	3,275	1,539
Dormant accounts		1,616	1,871
Others		42,273	41,560
Total		**389,088**	**361,104**

(1) Staff costs payable

Group

		As at 31 December	
		2014	**2013**
Short-term employee benefits	(i)	30,952	34,514
Defined contribution benefits	(ii)	621	703
Early retirement benefits	(iii)	8,938	10,356
Total		**40,511**	**45,573**

Bank

		As at 31 December	
		2014	**2013**
Short-term employee benefits	(i)	30,604	34,161
Defined contribution benefits	(ii)	621	703
Early retirement benefits	(iii)	8,938	10,356
Total		**40,163**	**45,220**

(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)

(i) Short-term employee benefits

Group

	2014			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowance and subsidies (a)	24,973	66,780	(67,525)	24,228
Housing funds (a)	245	8,186	(8,248)	183
Social insurance (a)	181	4,454	(4,457)	178
Including: Medical insurance	149	3,848	(3,843)	154
Employment injury insurance	16	278	(282)	12
Maternity insurance	16	328	(332)	12
Labor union fees and staff education expenses	2,726	2,977	(2,520)	3,183
Others	6,389	12,825	(16,034)	3,180
Total	**34,514**	**95,222**	**(98,784)**	**30,952**

Group

	2013			
	1 January	**Accrued**	**Paid**	**31 December**
Salaries, bonuses, allowance and subsidies (a)	25,704	63,758	(64,489)	24,973
Housing funds (a)	301	7,213	(7,269)	245
Social insurance (a)	190	3,837	(3,846)	181
Including: Medical insurance	157	3,302	(3,310)	149
Employment injury insurance	15	249	(248)	16
Maternity insurance	18	286	(288)	16
Labor union fees and staff education expenses	2,304	2,827	(2,405)	2,726
Others	5,745	12,138	(11,494)	6,389
Total	**34,244**	**89,773**	**(89,503)**	**34,514**

(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)

(i) *Short-term employee benefits* (Continued)

Bank

	2014			
	1 January	Accrued	Paid	31 December
Salaries, bonuses, allowance and subsidies (a)	24,627	65,927	(66,666)	23,888
Housing funds (a)	244	8,148	(8,209)	183
Social insurance (a)	181	4,425	(4,428)	178
Including: Medical insurance	149	3,821	(3,816)	154
Employment injury insurance	16	277	(281)	12
Maternity insurance	16	327	(331)	12
Labor union fees and staff education expenses	2,726	2,954	(2,499)	3,181
Others	6,383	12,731	(15,940)	3,174
Total	**34,161**	**94,185**	**(97,742)**	**30,604**

Bank

	2013			
	1 January	Accrued	Paid	31 December
Salaries, bonuses, allowance and subsidies (a)	25,553	62,969	(63,895)	24,627
Housing funds (a)	299	7,183	(7,238)	244
Social insurance (a)	190	3,814	(3,823)	181
Including: Medical insurance	157	3,281	(3,289)	149
Employment injury insurance	15	248	(247)	16
Maternity insurance	18	285	(287)	16
Labor union fees and staff education expenses	2,298	2,823	(2,395)	2,726
Others	5,739	12,045	(11,401)	6,383
Total	**34,079**	**88,834**	**(88,752)**	**34,161**

(a) Salaries, bonuses, allowance and subsidies, housing funds and social insurance are timely distributed and paid in accordance with the relevant 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) Defined contribution benefits

Group

	2014			
	1 January	Accrued	Paid	31 December
Basic pensions	629	10,695	(10,783)	541
Unemployment insurance	65	804	(803)	66
Annuity Scheme	9	3,137	(3,132)	14
Total	**703**	**14,636**	**(14,718)**	**621**

Group

	2013			
	1 January	Accrued	Paid	31 December
Basic pensions	624	9,491	(9,486)	629
Unemployment insurance	63	730	(728)	65
Annuity Scheme	989	2,881	(3,861)	9
Total	**1,676**	**13,102**	**(14,075)**	**703**

Bank

	2014			
	1 January	Accrued	Paid	31 December
Basic pensions	629	10,632	(10,720)	541
Unemployment insurance	65	803	(802)	66
Annuity Scheme	9	3,137	(3,132)	14
Total	**703**	**14,572**	**(14,654)**	**621**

Bank

	2013			
	1 January	Accrued	Paid	31 December
Basic pensions	624	9,444	(9,439)	629
Unemployment insurance	63	730	(728)	65
Annuity Scheme	972	2,881	(3,844)	9
Total	**1,659**	**13,055**	**(14,011)**	**703**

The defined contribution benefits are timely distributed and paid in accordance with the relevant 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)

(iii) Early retirement benefits

Group and bank

	2014			
	1 January	Accrued	Paid	31 December
Early retirement benefits	10,356	1,611	(3,029)	8,938

Group and bank

	2013			
	1 January	Accrued	Paid	31 December
Early retirement benefits	11,777	1,854	(3,275)	10,356

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Group and Bank

	As at 31 December	
	2014	2013
Discount rate	3.41%	4.38%
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).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement.

(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 ORDINARY SHARES

For the current and prior year, there was no change in the Bank's ordinary share capital.

	As at 31 December 2014 and 2013	
	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 2014, 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 2013: 9,892 million A shares and none of the H shares, respectively).

37 PREFERENCE SHARES

Financial instruments in issue	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversions
Preference shares	6% per annum for the first five years after issuance, and re-priced every five years as stated below.	100	400	40,000	No maturity date	No conversion during the year

The Bank was authorized to issue 800 million preference shares of RMB100 each pursuant to the approval by its ordinary shareholders and relevant regulatory authorities. The first tranche of 400 million preference shares were issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 31 December 2014. There were no changes in such amount since issuance.

The first tranche preference shares bear a dividend rate of 6% per annum payable annually for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37 PREFERENCE SHARES (Continued)

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents are met and subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary shareholders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-Two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No. 56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB2.43 yuan per share, partially or entirely. The conversion price of the preference shares will be adjusted in the events including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

The preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position. The preference shares are qualified as Additional Tier-one Capital Instruments in accordance with the CBRC requirements.

38 CAPITAL RESERVE

The capital reserve represents the premium related to ordinary shares issued by the Bank in 2010. Share premium was recorded in the capital reserve after deducting direct issue expenses, 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)

39 INVESTMENT REVALUATION RESERVE

Group

	2014		
	Gross amount	**Tax effect**	**Net effect**
1 January 2014	(30,313)	7,541	(22,772)
Fair value changes on available-for-sale financial assets	34,722	(8,657)	26,065
Transferred to the consolidated income statement upon disposal of available-for-sale financial assets	(233)	58	(175)
31 December 2014	**4,176**	**(1,058)**	**3,118**

	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)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 INVESTMENT REVALUATION RESERVE (Continued)

Bank

	2014		
	Gross amount	**Tax effect**	**Net effect**
1 January 2014	(30,282)	7,532	(22,750)
Fair value changes on available-for-sale financial assets	34,360	(8,573)	25,787
Transferred to the income statement upon disposal of available-for-sale financial assets	8	(2)	6
31 December 2014	**4,086**	**(1,043)**	**3,043**

	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)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 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 24 March 2015, 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 RMB17,894 million (2013: RMB16,578 million) was approved.

Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary 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 ordinary share capital.

41 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 impairment allowance, the Bank establishes a general reserve within equity holders' equity through the appropriation of profit to address unidentified potential impairment risks. 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 branches ("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 2014, the Group and the Bank transferred RMB17,503 million (2013: RMB63,855 million) and RMB17,394 million (2013: RMB63,570 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB17,330 million (2013: RMB63,482 million) related to the appropriation proposed for the year ended 31 December 2013 which was approved in the annual general meeting held on 23 June 2014.

42 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 three months or less:

Group

	As at 31 December	
	2014	**2013**
Cash	111,962	99,759
Balance with central banks	76,525	101,697
Deposits with banks and other financial institutions	68,355	76,223
Placements with and loans to banks and other financial institutions	197,151	146,383
Financial assets held under resale agreements	284,248	389,737
Total	**738,241**	**813,799**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 OPERATING SEGMENTS

Operating segments are identified on the basis of internal management reports with respect to 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 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 revenue, 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)

43 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

For the year ended 31 December 2014

	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	195,050	120,056	79,418	87,736	67,622	113,607	20,717	15,083	—	699,289
External interest expense	(17,947)	(59,107)	(33,242)	(50,234)	(39,903)	(46,172)	(14,182)	(8,611)	—	(269,398)
Inter-segment interest (expense)/income	(134,867)	24,333	11,247	33,126	29,229	27,096	9,455	381	—	—
Net interest income	42,236	85,282	57,423	70,628	56,948	94,531	15,990	6,853	—	429,891
Fee and commission income	12,679	17,100	12,959	12,321	11,849	16,651	3,350	974	—	87,883
Fee and commission expense	(517)	(1,542)	(1,468)	(1,146)	(1,269)	(1,427)	(346)	(45)	—	(7,760)
Net fee and commission income	12,162	15,558	11,491	11,175	10,580	15,224	3,004	929	—	80,123
Net trading gain/(loss)	3,196	133	104	77	93	256	83	(2,034)	—	1,908
Net gain/(loss) on financial instruments designated at fair value through profit or loss	1,383	22	54	91	—	(1)	—	(44)	—	1,505
Net (loss)/gain on investment securities	(12)	—	—	—	—	—	—	347	—	335
Other operating (expenses)/income	(435)	1,018	613	755	402	2,458	142	5,411	—	10,364
Operating income	58,530	102,013	69,685	82,726	68,023	112,468	19,219	11,462	—	524,126
Operating expenses	(11,598)	(39,131)	(28,276)	(35,222)	(35,454)	(52,093)	(15,371)	(6,753)	—	(223,898)
Impairment losses on assets	(2,569)	(18,152)	(10,182)	(16,826)	(7,285)	(12,872)	464	(549)	—	(67,971)
Profit before tax	44,363	44,730	31,227	30,678	25,284	47,503	4,312	4,160	—	232,257
Income tax expense										(52,747)
Profit for the year										179,510
Depreciation and amortization included in operating expenses	(1,639)	(3,171)	(2,289)	(2,921)	(3,374)	(4,362)	(1,428)	(144)	—	(19,328)
Capital expenditure	1,610	3,333	2,961	3,943	3,967	7,051	1,617	1,378	—	25,860
As at 31 December 2014										
Segment assets	4,211,552	3,147,375	1,928,364	2,629,880	2,276,362	3,152,220	743,602	590,362	(2,784,205)	15,895,512
Unallocated assets										78,640
Total assets										15,974,152
Include: non-current assets [1]	10,481	36,833	18,919	29,870	29,437	42,106	12,531	8,766	—	188,943
Segment liabilities	(3,254,625)	(3,143,950)	(1,923,067)	(2,627,471)	(2,267,258)	(3,145,053)	(745,298)	(577,635)	2,784,205	(14,900,152)
Unallocated liabilities										(41,381)
Total liabilities										(14,941,533)
Credit commitments	32,555	457,653	211,896	345,025	172,803	263,993	60,369	38,431	—	1,582,725

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 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

(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)

43 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, corporate wealth management services 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, precious metal transactions 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)

43 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

For the year ended 31 December 2014

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
External interest income	351,644	138,133	205,715	3,797	699,289
External interest expense	(93,897)	(152,025)	(21,908)	(1,568)	(269,398)
Inter-segment interest (expense)/ income	(22,285)	166,724	(144,439)	—	—
Net interest income	235,462	152,832	39,368	2,229	429,891
Fee and commission income	45,921	40,857	23	1,082	87,883
Fee and commission expense	(2,478)	(5,240)	(2)	(40)	(7,760)
Net fee and commission income	43,443	35,617	21	1,042	80,123
Net trading gain	—	—	1,818	90	1,908
Net gain/(loss) on financial instruments designated at fair value through profit or loss	—	—	1,524	(19)	1,505
Net (loss)/gain on investment securities	—	—	(8)	343	335
Other operating income	1,796	1,427	2,963	4,178	10,364
Operating income	280,701	189,876	45,686	7,863	524,126
Operating expenses	(100,065)	(97,354)	(20,086)	(6,393)	(223,898)
Impairment losses on assets	(56,215)	(9,491)	(1,850)	(415)	(67,971)
Profit before tax	124,421	83,031	23,750	1,055	232,257
Income tax expense					(52,747)
Profit for the year					179,510
Depreciation and amortization included in operating expenses	(4,139)	(11,223)	(3,885)	(81)	(19,328)
Capital expenditure	5,555	15,065	5,214	26	25,860
At 31 December 2014					
Segment assets	5,571,140	2,826,973	7,388,768	108,631	15,895,512
Unallocated assets					78,640
Total assets					15,974,152
Segment liabilities	(5,558,920)	(7,929,911)	(1,315,632)	(95,689)	(14,900,152)
Unallocated liabilities					(41,381)
Total liabilities					(14,941,533)
Credit commitments	1,252,331	330,394	—	—	1,582,725

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 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

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 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 and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

For the year ended 31 December 2014

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
External interest income	166,526	532,763	—	699,289
External interest expense	(93,707)	(175,691)	—	(269,398)
Inter-segment interest income/ (expense)	94,083	(94,083)	—	—
Net interest income	166,902	262,989	—	429,891
Fee and commission income	31,348	56,535	—	87,883
Fee and commission expense	(3,152)	(4,608)	—	(7,760)
Net fee and commission income	28,196	51,927	—	80,123
Net trading gain	222	1,686	—	1,908
Net gain on financial instruments designated at fair value through profit or loss	39	1,466	—	1,505
Net gain on investment securities	—	335	—	335
Other operating income	2,719	7,645	—	10,364
Operating income	198,078	326,048	—	524,126
Operating expenses	(93,018)	(130,880)	—	(223,898)
Impairment losses on assets	(28,240)	(39,731)	—	(67,971)
Profit before tax	76,820	155,437	—	232,257
Income tax expense				(52,747)
Profit for the year				179,510
Depreciation and amortization included in operating expenses	(8,865)	(10,463)	—	(19,328)
Capital expenditure	8,210	17,650	—	25,860
At 31 December 2014				
Segment assets	5,841,613	10,136,691	(82,792)	15,895,512
Unallocated assets				78,640
Total assets				15,974,152
Segment liabilities	(5,509,147)	(9,473,797)	82,792	(14,900,152)
Unallocated liabilities				(41,381)
Total liabilities				(14,941,533)
Credit commitments	323,296	1,259,429	—	1,582,725

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43 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)

44 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 31 December 2014, the MOF directly owned 39.21% (31 December 2013: 39.21%) of the ordinary shares 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	
	2014	**2013**
Treasury bonds and special government bond	734,578	729,892
Receivable from the MOF (Note IV 22)	278,314	362,054
Interest receivable		
— treasury bonds and special government bond	9,366	9,017
— receivable from the MOF	26	33
Amount payable to the MOF (Note IV 35)	3,275	1,539
Customer deposits	10,613	11,292
Interest payable	10	10
Other liability		
— redemption of treasury bonds on behalf of the MOF	105	112

	Year ended 31 December	
	2014	**2013**
Interest income	38,623	38,152
Interest expense	(82)	(85)
Fee and commission income	7,430	8,297

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2014	**2013**
	%	**%**
Treasury bonds and receivable from the MOF	1.85–9.00	1.77–9.00
Customer deposits	0.01–3.25	0.01–3.25

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 46 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 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 Chinese 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 2014, Huijin directly owned 40.28% (31 December 2013: 40.28%) of the ordinary shares 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	
	2014	**2013**
Investment in debt securities	11,244	11,130
Interest receivable	134	134
Customer deposits	3,829	10,960
Interest payable	—	158

	Year ended 31 December	
	2014	**2013**
Interest income	429	429
Interest expense	(177)	(352)

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2014	**2013**
	%	**%**
Debt securities	3.14–4.20	3.14–4.20
Customer deposits	0.72–3.30	0.39–3.30

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 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	
	2014	**2013**
Investment securities	769,490	686,833
Deposits with banks and other financial institutions	40,060	21,059
Placements with and loans to banks and other financial institutions	92,797	31,926
Derivative financial assets	451	623
Financial assets held under resale agreements	39,363	88,706
Loans and advances to customers	4,219	385
Deposits from banks and other financial institutions	30,342	45,561
Placements from banks and other financial institutions	44,965	26,362
Derivative financial liabilities	465	457
Financial assets sold under repurchase agreements	110,300	11,859
Customer deposits	1,000	200
Preference shares	200	—
Off-balance sheet items:		
Non-principal guaranteed wealth management products issued by the Bank	300	—

(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)

44 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) 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 years ended 31 December 2014 and 2013, 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	
	2014	**2013**
Salaries, bonuses and staff welfare	11.73	10.97

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the years ended 31 December 2014 and 2013 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. The final compensation will be disclosed in a separate announcement when determined.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 RELATED PARTY TRANSACTIONS (Continued)

(6) 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	
	2014	**2013**
Deposits from Annuity Scheme	8,050	8,050
Interest payable	15	15
Off-balance sheet item:		
Non-principal guaranteed wealth management products issued by the Bank	—	500

	Year ended 31 December	
	2014	**2013**
Interest expense	490	490

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	Year ended 31 December	
	2014	**2013**
	%	**%**
Deposits from Annuity Scheme	5.75–6.20	5.75–6.20

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 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 2014, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB672,983 million (31 December 2013: RMB412,190 million), which represent the total size of the WMP vehicles. In 2014, the Group's interest in the WMP Vehicles included Net Fee And Commission Income of RMB5,070 million (31 December 2013: RMB4,752 million) and Net interest income of RMB499 million (31 December 2013: RMB478 million), which related to placements and reverse repurchase agreement transactions by the Group with WMP Vehicles.

The Group has entered into placements and reverse repurchase agreement transactions at market interest rates with the WMP Vehicles. The average balance during 2014 and the outstanding balance as at 31 December 2014 of these transactions were RMB19,788 million (weighted average outstanding period of 3.72 days) and RMB81,300 million, respectively. 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 2014 and 31 December 2013, the outstanding balance of these transactions was presented in Placements with and Loans to Banks and Other Financial Institutions and represented the Group's maximum exposure to the WMP Vehicles.

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 years ended 31 December 2014 and 2013. The Group is not required to absorb any losses incurred by WMPs before other parties. In 2014 and 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)

45 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 underlying investments made by WMPs managed by the Group, and for which the Group has provided investors of the WMPs with a principal and/or return guarantee. The Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

Group

	As at 31 December 2014				
	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	248,794	—	—	—	248,794
Other debt instruments	59,876	—	—	—	59,876
Asset management products issued by other entities (i)	—	—	—	10,613	10,613
Asset-backed securities	—	5,054	—	—	5,054
Fund investments	—	3,358	—	—	3,358
Mortgage-backed securities	—	48	40	—	88
Total	**308,670**	**8,460**	**40**	**10,613**	**327,783**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 STRUCTURED ENTITIES (Continued)

(2) *Unconsolidated structured entities held by the Group* (Continued)

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
Asset management products issued by other entities (i)	—	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**

(i) The asset management products issued by other entities primarily consist of WMPs, asset management plans and debt investment plans.

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; and a special purpose trust founded by a third party trust company for issuing asset backed securities by the Group. During the years ended 31 December 2014 and 2013, the Group did not enter into financing transactions with any of these WMP Vehicles and the special purpose trust.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 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 2014, provisions of RMB1,316 million were made by the Group and the Bank (31 December 2013: RMB962 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	
	2014	2013	2014	2013
Contracted but not provided for	5,302	6,404	4,772	6,404
Authorized but not contracted for	3,656	1,261	3,656	1,261
Total	**8,958**	**7,665**	**8,428**	**7,665**

In addition, the Group's and the Bank's equity investment commitments for its investee companies as at 31 December 2014 were RMB306 million and RMB1,306 million, respectively (31 December 2013: None).

Credit commitments

	As at 31 December			
	Group		Bank	
	2014	2013	2014	2013
Loan commitments				
— With an original maturity of less than 1 year	15,664	35,858	15,664	35,858
— With an original maturity of 1 year or above	425,394	434,411	425,394	434,411
Subtotal	441,058	470,269	441,058	470,269
Bank acceptance	418,937	404,852	418,937	404,852
Credit card commitments	254,222	219,682	254,222	219,682
Guarantee and letters of guarantee	241,171	191,073	243,007	191,073
Letters of credit	227,337	196,069	227,337	196,069
Total	**1,582,725**	**1,481,945**	**1,584,561**	**1,481,945**

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 acceptance.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 31 December 2014, credit risk weighted amount for credit commitments was measured under the Internal Ratings — Based approach as disclosed in Note IV 49 Capital Management.

	As at 31 December 2014	
	Group	**Bank**
Credit commitments	800,383	786,732

As at 31 December 2013, credit risk weighted amount for credit commitments of the Group and the Bank were RMB728,028 million and RMB727,438 million, respectively, which were measured under the Weighted approach as disclosed in Note IV 49 Capital Management.

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**	
	2014	**2013**	**2014**	**2013**
Within 1 year	4,206	3,575	3,729	3,536
1 to 2 years	3,153	3,039	3,099	3,016
2 to 3 years	2,525	2,550	2,512	2,537
3 to 5 years	3,193	2,527	3,193	2,527
Above 5 years	1,969	3,204	1,969	3,204
Total	**15,046**	**14,895**	**14,502**	**14,820**

In the current year, operating lease expense recognized as operating expense by the Group and the Bank were RMB4,743 million and RMB4,667 million, respectively, and is included in Note IV 6 Operating Expenses (2013: RMB4,169 million and RMB4,106 million, respectively).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 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	
	2014	2013	2014	2013
Contractual amount	—	61	—	—

As at 31 December 2014, the gross amount of finance lease receivables included in the Group's loans and advances were RMB35,502 million (31 December 2013: RMB33,154 million), with the remaining maturity as follows:

	As at 31 December			
	Group		Bank	
	2014	2013	2014	2013
Overdue	1,991	63	—	—
Within 1 year	11,511	9,131	—	—
1 to 5 years	17,829	22,572	—	—
Above 5 years	4,171	1,388	—	—
Total	**35,502**	**33,154**	**—**	**—**

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	
	2014	2013	2014	2013
Debt securities	131,828	27,011	127,757	25,248
Bills	—	38	—	38
Loans	—	600	—	—
Total	**131,828**	**27,649**	**127,757**	**25,286**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral (Continued)

Assets pledged (Continued)

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2014 was RMB131,021 million and the Bank was RMB126,950 million (Group as at 31 December 2013 was RMB26,787 million and the Bank was RMB24,670 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.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 47 Transferred Financial Assets.

In addition, debt securities 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 2014 amounted to RMB102,364 million in total (Group and Bank as at 31 December 2013: RMB5,637 million).

Collateral accepted

The Group received debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements as set out in Note IV 18 Financial Assets Held 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 RMB3,055 million as at 31 December 2014 (31 December 2013: RMB1,744 million). The Group and the Bank has not resold or re-pledged any collateral accepted as at 31 December 2014 (31 December 2013: None).

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these 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 bond plus unpaid interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2014, the nominal value of treasury bonds the Group and the Bank was obligated to redeem prior to maturity was RMB44,879 million (31 December 2013: RMB37,913 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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Other than the securitization transactions stated below, debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group and the Bank did not derecognize amounted to RMB9,157 million as at 31 December 2014 (31 December 2013: RMB3,548 million), as disclosed in Note IV 46 Contingent Liabilities and Commitments – Collateral.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the consolidated statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 31 December 2014, loans with an original carrying amount of RMB10,125 million (31 December 2013: None) have been securitized by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 31 December 2014, the carrying amount of assets that the Group continues to recognize was RMB967 million (31 December 2013: None) and the assets were classified as Loans and Advances to Customers. Arising from this continuing involvement, the Group has recognized continuing involvement assets and continuing involvement liabilities of RMB967 million, respectively.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 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.

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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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's credit risk management system is composed of the Board of Directors and its Risk Management Committee, Senior Management and its Risk Management Committee, Credit Approval Committee and Asset Disposal Committee, as well as the Risk Management Department, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

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.

For the current year, the Group implemented more rigid management over the credit origination process. Further, the Group enhanced its forecasting capability using forward-looking information, as well as its proactive risk control and credit limit management processes. The Group reinforced its risk identification and monitoring, including the governance over areas of special focus, industries, and products, as well as refined the risk mitigation activities. It also exited high risk clients on a timely basis. The Group also accelerated the disposal of non-performing loans, emphasized the accountability related to non-performing loans and maintained the stability of credit asset quality.

Apart from the credit risk exposures on credit-related assets, deposits and Placements with and Loans to 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 subject to different level of management authority, and by timely reviewing and adjusting those limit in credit system. 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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. For the impaired available-for-sale investments, 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 acceptance, 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	
	2014	2013	2014	2013
Balances with central banks	2,631,103	2,504,043	2,630,883	2,503,888
Deposits with banks and other financial institutions	572,805	397,678	562,792	389,938
Placements with and loans to banks and other financial institutions	407,062	308,655	412,825	310,967
Financial assets held for trading	58,404	53,814	58,404	53,495
Financial assets designated at fair value through profit or loss	354,763	267,997	355,763	267,994
Derivative financial assets	7,195	8,186	6,950	8,176
Financial assets held under resale agreements	509,418	737,052	509,412	736,742
Loans and advances to customers	7,739,996	6,902,522	7,700,348	6,866,183
Available-for-sale financial assets	922,017	778,944	916,810	776,211
Held-to-maturity investments	1,710,950	1,523,815	1,703,508	1,517,998
Debt instruments classified as receivables	522,117	592,090	511,174	585,459
Other financial assets	128,188	103,024	113,335	91,817
Subtotal	15,564,018	14,177,820	15,482,204	14,108,868
Credit commitments	1,582,725	1,481,945	1,584,561	1,481,945
Total	**17,146,743**	**15,659,765**	**17,066,765**	**15,590,813**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 debt securities, bills and loans.

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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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			
	2014		2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	147,614	2.6	115,027	2.2
Yangtze River Delta	1,312,497	23.0	1,225,018	23.9
Pearl River Delta	669,532	11.8	622,736	12.1
Bohai Rim	1,036,523	18.2	958,418	18.7
Central China	684,153	12.0	605,634	11.8
Western China	1,236,514	21.7	1,101,790	21.5
Northeastern China	217,926	3.8	193,057	3.8
Overseas and Others	392,324	6.9	307,401	6.0
Subtotal	5,697,083	100.0	5,129,081	100.0
Personal loans and advances				
Head Office	107	—	110	—
Yangtze River Delta	606,026	25.2	555,257	26.5
Pearl River Delta	440,572	18.3	390,258	18.6
Bohai Rim	345,542	14.4	292,778	14.0
Central China	335,059	14.0	288,221	13.8
Western China	573,220	23.9	482,475	23.0
Northeastern China	96,113	4.0	84,206	4.0
Overseas and Others	4,345	0.2	2,327	0.1
Subtotal	2,400,984	100.0	2,095,632	100.0
Gross loans and advances to customers	**8,098,067**		**7,224,713**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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			
	2014		2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Head Office	147,614	2.6	115,027	2.3
Yangtze River Delta	1,312,497	23.2	1,225,018	24.1
Pearl River Delta	669,532	11.8	622,736	12.2
Bohai Rim	1,036,523	18.3	958,418	18.8
Central China	684,153	12.1	605,634	11.9
Western China	1,236,514	21.9	1,101,790	21.6
Northeastern China	217,926	3.9	193,057	3.8
Overseas and Others	352,245	6.2	270,779	5.3
Subtotal	5,657,004	100.0	5,092,459	100.0
Personal loans and advances				
Head Office	107	—	110	—
Yangtze River Delta	606,026	25.3	555,257	26.5
Pearl River Delta	440,572	18.3	390,258	18.6
Bohai Rim	345,542	14.4	292,778	14.0
Central China	335,059	14.0	288,221	13.8
Western China	573,220	23.9	482,475	23.0
Northeastern China	96,113	4.0	84,206	4.0
Overseas and Others	3,336	0.1	1,643	0.1
Subtotal	2,399,975	100.0	2,094,948	100.0
Gross loans and advances to customers	**8,056,979**		**7,187,407**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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			
	2014		2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,459,857	25.6	1,430,267	28.0
Transportation, logistics and postal services	779,230	13.7	624,699	12.2
Retail and wholesale	629,609	11.1	593,434	11.6
Real estate	587,916	10.3	547,722	10.7
Production and supply of power, heat, gas and water	551,929	9.7	493,262	9.6
Leasing and commercial services	399,910	7.0	338,820	6.6
Mining	261,932	4.6	222,436	4.3
Finance	218,286	3.8	134,595	2.6
Construction	212,961	3.7	201,631	3.9
Water, environment and public utilities management	209,769	3.7	197,140	3.8
Others	385,684	6.8	345,075	6.7
Subtotal	5,697,083	100.0	5,129,081	100.0
Personal loans and advances				
Residential mortgage	1,550,702	64.6	1,292,038	61.6
Personal business	266,913	11.1	256,245	12.2
Personal consumer	204,102	8.5	204,448	9.8
Credit cards	222,865	9.3	194,330	9.3
Others	156,402	6.5	148,571	7.1
Subtotal	2,400,984	100.0	2,095,632	100.0
Gross loans and advances to customers	**8,098,067**		**7,224,713**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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			
	2014		2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,444,830	25.5	1,412,900	27.9
Transportation, logistics and postal services	768,661	13.6	622,302	12.2
Retail and wholesale	624,704	11.0	591,085	11.6
Real estate	587,246	10.4	547,002	10.7
Production and supply of power, heat, gas and water	551,378	9.7	489,456	9.6
Leasing and commercial services	399,233	7.1	338,064	6.6
Mining	260,736	4.6	220,388	4.3
Finance	218,286	3.9	134,595	2.6
Construction	211,799	3.7	198,609	3.9
Water, environment and public utilities management	208,044	3.7	196,255	3.9
Others	382,087	6.8	341,803	6.7
Subtotal	5,657,004	100.0	5,092,459	100.0
Personal loans and advances				
Residential mortgage	1,550,701	64.6	1,292,033	61.6
Personal business	266,393	11.1	255,808	12.2
Personal consumer	204,044	8.5	204,425	9.8
Credit cards	222,865	9.3	194,330	9.3
Others	155,972	6.5	148,352	7.1
Subtotal	2,399,975	100.0	2,094,948	100.0
Gross loans and advances to customers	**8,056,979**		**7,187,407**	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 2014			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	794,488	295,993	705,780	1,796,261
Guaranteed loans	785,858	285,079	317,351	1,388,288
Loans secured by collateral	1,164,594	668,884	2,105,571	3,939,049
Pledged loans	476,414	52,629	445,426	974,469
Total	**3,221,354**	**1,302,585**	**3,574,128**	**8,098,067**

	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**

Bank

	31 December 2014			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	793,465	291,450	698,277	1,783,192
Guaranteed loans	781,915	266,598	314,546	1,363,059
Loans secured by collateral	1,164,101	667,969	2,105,512	3,937,582
Pledged loans	475,428	52,292	445,426	973,146
Total	**3,214,909**	**1,278,309**	**3,563,761**	**8,056,979**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Past due loans

Group

	31 December 2014				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	9,442	4,744	616	371	15,173
Guaranteed loans	19,103	14,380	7,639	4,559	45,681
Loans secured by collateral	40,740	32,292	13,845	7,585	94,462
Pledged loans	3,854	5,041	721	1,688	11,304
Total	**73,139**	**56,457**	**22,821**	**14,203**	**166,620**

	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**

Bank

	31 December 2014				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	9,421	4,744	616	371	15,152
Guaranteed loans	17,195	13,641	6,932	4,559	42,327
Loans secured by collateral	40,737	32,284	13,845	7,585	94,451
Pledged loans	3,632	4,486	721	1,688	10,527
Total	**70,985**	**55,155**	**22,114**	**14,203**	**162,457**

	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**

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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Loans and advances to customers (Continued)

(5) Credit quality of loans and advances to customers

Group

		As at 31 December	
		2014	**2013**
Neither past due nor impaired	(i)	7,923,816	7,112,117
Past due but not impaired	(ii)	49,281	24,815
Impaired	(iii)	124,970	87,781
Subtotal		8,098,067	7,224,713
Allowance for impairment losses of loans and advances to customers		(358,071)	(322,191)
Loans and advances to customers		**7,739,996**	**6,902,522**

Bank

		As at 31 December	
		2014	**2013**
Neither past due nor impaired	(i)	7,886,891	7,075,519
Past due but not impaired	(ii)	45,836	24,815
Impaired	(iii)	124,252	87,073
Subtotal		8,056,979	7,187,407
Allowance for impairment losses of loans and advances to customers		(356,631)	(321,224)
Loans and advances to customers		**7,700,348**	**6,866,183**

(i) Loans and advances neither past due nor impaired

Group

	31 December 2014		
	Normal	**Special-mention**	**Total**
Corporate loans and advances	5,303,893	265,154	5,569,047
Personal loans and advances	2,352,828	1,941	2,354,769
Total	**7,656,721**	**267,095**	**7,923,816**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 2014		
	Normal	Special-mention	Total
Corporate loans and advances	5,268,590	264,528	5,533,118
Personal loans and advances	2,351,839	1,934	2,353,773
Total	**7,620,429**	**266,462**	**7,886,891**

	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**

(ii) Loans and advances past due but not impaired

Group

	31 December 2014					
	Up to 30 days	31–60 days	61–90 days	91–360 days	Total	Fair value of collateral
Corporate loans and advances	15,280	3,978	3,575	1,290	24,123	23,606
Personal loans and advances	15,662	5,440	4,053	3	25,158	33,285
Total	**30,942**	**9,418**	**7,628**	**1,293**	**49,281**	**56,891**

Bank

	31 December 2014					
	Up to 30 days	31–60 days	61–90 days	91–360 days	Total	Fair value of collateral
Corporate loans and advances	14,063	3,978	2,645	—	20,686	22,764
Personal loans and advances	15,658	5,440	4,052	—	25,150	33,285
Total	**29,721**	**9,418**	**6,697**	**—**	**45,836**	**56,049**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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)

Group and bank

	31 December 2013					
	Up to 30 days	31–60 days	61–90 days	91–360 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**

(iii) Impaired loans and advances

Group

	31 December 2014		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	103,907	(73,094)	30,813
Collectively assessed	21,063	(14,591)	6,472
Total	**124,970**	**(87,685)**	**37,285**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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)

Bank

	31 December 2014		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	103,200	(72,578)	30,622
Collectively assessed	21,052	(14,587)	6,465
Total	**124,252**	**(87,165)**	**37,087**

	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**

Including:

Group

	As at 31 December	
	2014	2013
Individually assessed and impaired	103,907	72,355
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.28%	1.00%
Fair value of collateral	14,697	9,237

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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)

Bank

	As at 31 December	
	2014	**2013**
Individually assessed and impaired	103,200	71,648
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.28%	1.00%
Fair value of collateral	14,697	9,237

The composition of impaired loans and advances to customers by geographical area is analyzed as follows:

Group

	31 December 2014		31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	7	—	3	—
Yangtze River Delta	26,242	21.0	19,373	22.1
Pearl River Delta	16,790	13.4	12,407	14.1
Bohai Rim	26,727	21.4	16,603	19.0
Central China	18,656	14.9	14,075	16.0
Western China	30,332	24.3	19,523	22.2
Northeastern China	5,368	4.3	4,927	5.6
Overseas and Others	848	0.7	870	1.0
Total	**124,970**	**100.0**	**87,781**	**100.0**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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)

Bank

	31 December 2014		31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	7	—	3	—
Yangtze River Delta	26,242	21.1	19,373	22.2
Pearl River Delta	16,790	13.5	12,407	14.2
Bohai Rim	26,727	21.5	16,603	19.1
Central China	18,656	15.0	14,075	16.2
Western China	30,332	24.5	19,523	22.4
Northeastern China	5,368	4.3	4,927	5.7
Overseas and Others	130	0.1	162	0.2
Total	**124,252**	**100.0**	**87,073**	**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 of the Group and the Bank as at 31 December 2014 amounted to RMB26,403 million (31 December 2013: RMB10,376 million).

(7) Assets foreclosed under credit enhancement arrangement

Such assets are disclosed as foreclosed assets in Note IV 26 Other assets.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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	
		2014	**2013**
Neither past due nor impaired	(1)	2,233,960	2,116,801
Impaired	(2)	1,191	45
Subtotal		2,235,151	2,116,846
Individually assessed		(478)	(44)
Collectively assessed		(1,606)	(897)
Allowance for impairment losses		(2,084)	(941)
Total held-to-maturity investments and debt instruments classified as receivables, net		**2,233,067**	**2,115,905**

Bank

		As at 31 December	
		2014	**2013**
Neither past due nor impaired	(1)	2,216,133	2,104,353
Impaired	(2)	691	45
Subtotal		2,216,824	2,104,398
Individually assessed		(463)	(44)
Collectively assessed		(1,679)	(897)
Allowance for impairment losses		(2,142)	(941)
Total held-to-maturity investments and debt instruments classified as receivables, net		**2,214,682**	**2,103,457**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired

Group

	31 December 2014				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Debt securities issued by:					
— Governments	14,780	147,513	548,330	—	710,623
— Public sector and quasi-governments	48,723	449,183	936,274	56,141	1,490,321
— Financial institutions	4,011	137,730	67,878	45,334	254,953
— Corporates	19,389	186,574	159,349	34,475	399,787
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	278,314	278,314
Certificate treasury bonds and savings treasury bonds	—	—	—	3,590	3,590
Interests in trust products	248,794	—	—	—	248,794
Other debt instruments	59,876	—	—	10,975	70,851
Total	**395,573**	**921,000**	**1,711,831**	**522,129**	**3,550,533**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 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
Debt securities issued by:					
— Governments	13,700	149,808	519,265	—	682,773
— Public sector and quasi-governments	50,056	409,322	808,838	66,485	1,334,701
— Financial institutions	11,495	48,702	29,688	27,124	117,009
— Corporates	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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(1) Debt instruments neither past due nor impaired (Continued)

Bank

	31 December 2014				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Debt instruments classified as receivables**	**Total**
Debt securities issued by:					
— Governments	14,780	147,342	548,330	—	710,452
— Public sector and quasi-governments	48,723	448,141	934,063	56,141	1,487,068
— Financial institutions	4,011	137,453	65,853	46,295	253,612
— Corporates	19,389	182,857	156,143	34,232	392,621
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	278,314	278,314
Certificate treasury bonds and savings treasury bonds	—	—	—	3,462	3,462
Interests in trust products	248,794	—	—	—	248,794
Other debt instruments	60,876	—	—	—	60,876
Total	**396,573**	**915,793**	**1,704,389**	**511,744**	**3,528,499**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 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 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**
Debt securities issued by:					
— Governments	13,700	149,584	519,265	—	682,549
— Public sector and quasi-governments	50,056	409,322	808,838	66,485	1,334,701
— Financial institutions	11,495	47,423	27,012	27,124	113,054
— Corporates	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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments

Group

	31 December 2014		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	545	545
Others	—	646	646
Allowance for impairment losses	—	(478)	(478)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	—	713	713

Bank

	31 December 2014		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	45	45
Others	—	646	646
Allowance for impairment losses	—	(463)	(463)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	—	228	228

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

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Impaired debt instruments (Continued)

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 31 December 2014, the carrying amount of the impaired available-for-sale debt instruments of the Group and the Bank was RMB1,017 million (31 December 2013: RMB3,388 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 2014 was RMB295 million (31 December 2013: RMB331 million).

(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 2014					
		Unrated (i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
— Governments		694,230	10,297	809	5,287	—	710,623
— Public sector and quasi-governments		1,372,558	110,807	3,044	3,783	—	1,490,192
— Financial institutions		170,221	48,639	15,686	13,636	6,958	255,140
— Corporates	(ii)	51,096	289,920	11,875	42,033	4,701	399,625
Special government bond		93,300	—	—	—	—	93,300
Receivable from the MOF		278,314	—	—	—	—	278,314
Certificate treasury bonds and savings treasury bonds		3,590	—	—	—	—	3,590
Interests in trust products	(iii)	248,794	—	—	—	—	248,794
Other debt instruments	(iii)	71,079	—	—	—	—	71,079
Total		**2,983,182**	**459,663**	**31,414**	**64,739**	**11,659**	**3,550,657**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating (Continued)

Group (Continued)

		31 December 2013					
		Unrated (i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
— Governments		680,349	637	1,707	80	—	682,773
— Public sector and quasi-governments		1,251,211	79,857	3,057	443	—	1,334,568
— Financial institutions		24,284	49,902	31,531	9,340	5,074	120,131
— Corporates	(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**

Bank

		31 December 2014					
		Unrated (i)	AAA	AA	A	Below A	Total
Debt securities issued by:							
— Governments		694,230	10,297	638	5,287	—	710,452
— Public sector and quasi-governments		1,370,416	109,698	3,044	3,783	—	1,486,941
— Financial institutions		171,110	47,836	14,265	13,621	6,895	253,727
— Corporates	(ii)	50,316	284,025	10,896	42,033	4,701	391,971
Special government bond		93,300	—	—	—	—	93,300
Receivable from the MOF		278,314	—	—	—	—	278,314
Certificate treasury bonds and savings treasury bonds		3,462	—	—	—	—	3,462
Interests in trust products	(iii)	248,794	—	—	—	—	248,794
Other debt instruments	(iii)	61,104	—	—	—	—	61,104
Total		**2,971,046**	**451,856**	**28,843**	**64,724**	**11,596**	**3,528,065**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(3) Debt instruments analyzed by credit rating (Continued)

Bank (Continued)

	31 December 2013					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
Governments	680,349	413	1,707	80	—	682,549
Public sector and quasi-governments	1,251,211	79,857	3,057	443	—	1,334,568
Financial institutions	22,813	49,105	29,908	9,321	5,029	116,176
Corporates (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**

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks, the Chinese government and receivable from the MOF.

(ii) The ratings of super short-term commercial papers of the Group and the Bank amounted to RMB31,704 million (31 December 2013: RMB66,938 million), as 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 of the fair value measurement hierarch and the related credit risk is described in Note IV 50 Fair Value of Financial Instruments.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 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 based on the carrying amount at the end of each reporting period.

Group

	31 December 2014								
	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	—	161,215	27,272	—	—	—	—	2,554,578	2,743,065
Deposits with banks and other financial institutions	—	42,452	37,201	130,547	360,405	2,200	—	—	572,805
Placements with and loans to banks and other financial institutions	—	—	193,149	38,487	136,584	38,842	—	—	407,062
Financial assets held for trading	—	21	4,628	8,816	23,580	16,446	4,934	—	58,425
Financial assets designated at fair value through profit or loss	—	—	32,860	63,158	173,300	67,672	17,773	1,472	356,235
Derivative financial assets	—	—	924	1,419	3,358	1,264	230	—	7,195
Financial assets held under resale agreements	—	—	355,523	106,487	47,408	—	—	—	509,418
Loans and advances to customers	29,656	—	426,767	742,945	2,326,006	1,673,235	2,541,387	—	7,739,996
Available-for-sale financial assets	—	—	14,821	42,862	175,149	492,102	197,083	5,886	927,903
Held-to-maturity investments	—	—	8,571	62,181	167,984	860,252	611,962	—	1,710,950
Debt instruments classified as receivables	1	88	—	2,388	25,085	88,789	405,766	—	522,117
Other financial assets	1,542	14,184	26,099	42,044	44,055	219	45	—	128,188
Total financial assets	31,199	217,960	1,127,815	1,241,334	3,482,914	3,241,021	3,779,180	2,561,936	15,683,359
Borrowings from central bank	—	(30)	—	(80,011)	(80)	—	—	—	(80,121)
Deposits from banks and other financial institutions	—	(284,412)	(16,656)	(52,011)	(189,971)	(288,091)	—	—	(831,141)
Placements from banks and other financial institutions	—	—	(95,431)	(72,370)	(53,337)	(2,667)	(1,118)	—	(224,923)
Financial liabilities held for trading	—	(10,085)	(6,074)	(6,789)	(2,263)	—	—	—	(25,211)
Financial liabilities designated at fair value through profit or loss	—	—	(155,596)	(85,497)	(80,022)	(26,131)	(36)	—	(347,282)
Derivative financial liabilities	—	—	(1,846)	(1,150)	(2,867)	(1,013)	(364)	—	(7,240)
Financial assets sold under repurchase agreements	—	—	(113,805)	(14,229)	(2,987)	—	—	—	(131,021)
Due to customers	—	(7,046,736)	(604,561)	(1,105,613)	(2,363,672)	(1,412,631)	(184)	—	(12,533,397)
Debt securities issued	—	—	(21,203)	(37,911)	(85,934)	(80,168)	(99,951)	—	(325,167)
Other financial liabilities	—	(96,209)	(19,113)	(54,347)	(58,660)	(73,596)	(24,276)	—	(326,201)
Total financial liabilities	—	(7,437,472)	(1,034,285)	(1,509,928)	(2,839,793)	(1,884,297)	(125,929)	—	(14,831,704)
Net position	**31,199**	**(7,219,512)**	**93,530**	**(268,594)**	**643,121**	**1,356,724**	**3,653,251**	**2,561,936**	**851,655**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Group (Continued)

	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 and loans to 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Bank

	31 December 2014								
	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	—	161,134	27,272	—	—	—	—	2,554,391	2,742,797
Deposits with banks and other financial institutions	—	41,363	34,714	129,869	356,846	—	—	—	562,792
Placements with and loans to banks and other financial institutions	—	—	197,856	38,332	138,022	38,615	—	—	412,825
Financial assets held for trading	—	21	4,628	8,816	23,580	16,446	4,934	—	58,425
Financial assets designated at fair value through profit or loss	—	—	32,860	64,158	173,300	67,672	17,773	—	355,763
Derivative financial assets	—	—	919	1,389	3,180	1,232	230	—	6,950
Financial assets held under resale agreements	—	—	355,517	106,487	47,408	—	—	—	509,412
Loans and advances to customers	28,187	—	424,910	739,782	2,314,910	1,655,179	2,537,380	—	7,700,348
Available-for-sale financial assets	—	—	14,821	42,862	174,930	491,112	193,085	571	917,381
Held-to-maturity investments	—	—	8,571	62,181	167,915	857,989	606,852	—	1,703,508
Debt instruments classified as receivables	1	88	—	2,388	24,974	85,717	398,006	—	511,174
Other financial assets	1,542	13,514	25,635	28,848	43,541	210	45	—	113,335
Total financial assets	29,730	216,120	1,127,703	1,225,112	3,468,606	3,214,172	3,758,305	2,554,962	15,594,710
Borrowings from central bank	—	(30)	—	(80,000)	—	—	—	—	(80,030)
Deposits from banks and other financial institutions	—	(286,636)	(16,656)	(52,011)	(190,671)	(288,791)	—	—	(834,765)
Placements from banks and other financial institutions	—	—	(92,584)	(65,191)	(39,903)	(125)	—	—	(197,803)
Financial liabilities held for trading	—	(10,085)	(6,074)	(6,789)	(2,263)	—	—	—	(25,211)
Financial liabilities designated at fair value through profit or loss	—	—	(155,600)	(85,497)	(80,022)	(26,131)	(36)	—	(347,286)
Derivative financial liabilities	—	—	(1,843)	(1,139)	(2,740)	(986)	(364)	—	(7,072)
Financial assets sold under repurchase agreements	—	—	(110,891)	(13,072)	(2,987)	—	—	—	(126,950)
Due to customers	—	(7,047,374)	(604,087)	(1,105,479)	(2,362,977)	(1,410,250)	(2)	—	(12,530,169)
Debt securities issued	—	—	(21,203)	(37,911)	(85,934)	(78,337)	(99,951)	—	(323,336)
Other financial liabilities	—	(90,529)	(18,727)	(40,274)	(56,770)	(73,386)	(164)	—	(279,850)
Total financial liabilities	—	(7,434,654)	(1,027,665)	(1,487,363)	(2,824,267)	(1,878,006)	(100,517)	—	(14,752,472)
Net position	**29,730**	**(7,218,534)**	**100,038**	**(262,251)**	**644,339**	**1,336,166**	**3,657,788**	**2,554,962**	**842,238**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

Bank (Continued)

	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 and loans to 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**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 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 and loans to 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.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

Group

	31 December 2014								
	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	—	161,215	27,272	1,214	—	—	—	2,554,578	2,744,279
Deposits with banks and other financial institutions	—	42,452	38,239	136,039	375,953	2,405	—	—	595,088
Placements with and loans to banks and other financial institutions	—	—	193,395	41,169	143,735	39,889	—	—	418,188
Financial assets held for trading	—	21	4,969	9,157	25,016	18,631	5,382	—	63,176
Financial assets designated at fair value through profit or loss	—	—	33,893	65,871	183,564	79,102	21,326	1,472	385,228
Financial assets held under resale agreements	—	—	358,139	108,674	48,451	—	—	—	515,264
Loans and advances to customers	91,690	—	496,444	853,270	2,695,148	2,570,241	3,875,869	—	10,582,662
Available-for-sale financial assets	—	—	17,235	48,402	211,037	572,898	233,973	5,886	1,089,431
Held-to-maturity investments	—	—	13,085	75,141	217,912	1,058,738	765,378	—	2,130,254
Debt instruments classified as receivables	45	88	50	3,744	31,868	111,405	429,642	—	576,842
Other financial assets	—	13,993	1,530	13,198	1,512	—	7	—	30,240
Total non-derivative financial assets	91,735	217,769	1,184,251	1,355,879	3,934,196	4,453,309	5,331,577	2,561,936	19,130,652
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	(80,711)	(80)	—	—	—	(80,821)
Deposits from banks and other financial institutions	—	(284,415)	(17,993)	(60,647)	(197,047)	(324,822)	—	—	(884,924)
Placements from banks and other financial institutions	—	—	(96,160)	(73,017)	(54,152)	(2,940)	(1,251)	—	(227,520)
Financial liabilities held for trading	—	(10,085)	(6,100)	(6,816)	(2,279)	—	—	—	(25,280)
Financial liabilities designated at fair value through profit or loss	—	—	(157,088)	(87,454)	(83,150)	(28,104)	(44)	—	(355,840)
Financial assets sold under repurchase agreements	—	—	(114,138)	(14,354)	(2,997)	—	—	—	(131,489)
Due to customers	—	(7,050,998)	(620,383)	(1,142,823)	(2,461,528)	(1,628,319)	(184)	—	(12,904,235)
Debt securities issued	—	—	(21,271)	(38,484)	(95,599)	(113,036)	(115,305)	—	(383,695)
Other financial liabilities	—	(91,631)	(871)	(14,125)	(2,070)	(352)	(24,276)	—	(133,325)
Total non-derivative financial liabilities	—	(7,437,159)	(1,034,004)	(1,518,431)	(2,898,902)	(2,097,573)	(141,060)	—	(15,127,129)
Net position	**91,735**	**(7,219,390)**	**150,247**	**(162,552)**	**1,035,294**	**2,355,736**	**5,190,517**	**2,561,936**	**4,003,523**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Group (Continued)

	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 and loans to banks and other financial 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Bank

	31 December 2014								
	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	—	161,134	27,272	1,214	—	—	—	2,554,391	2,744,011
Deposits with banks and other financial institutions	—	41,364	35,751	135,286	372,139	—	—	—	584,540
Placements with and loans to banks and other financial institutions	—	—	198,113	41,038	145,233	39,677	—	—	424,061
Financial assets held for trading	—	21	4,969	9,157	25,016	18,631	5,382	—	63,176
Financial assets designated at fair value through profit or loss	—	—	33,893	66,888	183,564	79,102	21,326	—	384,773
Financial assets held under resale agreements	—	—	358,133	108,674	48,451	—	—	—	515,258
Loans and advances to customers	89,563	—	494,360	849,622	2,682,514	2,549,344	3,871,153	—	10,536,556
Available-for-sale financial assets	—	—	17,220	48,387	210,569	570,892	228,322	571	1,075,961
Held-to-maturity investments	—	—	13,059	75,102	217,516	1,055,040	758,929	—	2,119,646
Debt instruments classified as receivables	45	88	50	3,744	31,757	108,351	421,882	—	565,917
Other financial assets	—	13,340	1,060	7	1,510	—	7	—	15,924
Total non-derivative financial assets	89,608	215,947	1,183,880	1,339,119	3,918,269	4,421,037	5,307,001	2,554,962	19,029,823
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	(80,700)	—	—	—	—	(80,730)
Deposits from banks and other financial institutions	—	(286,639)	(17,993)	(60,661)	(197,786)	(325,596)	—	—	(888,675)
Placements from banks and other financial institutions	—	—	(93,274)	(65,547)	(40,311)	(130)	—	—	(199,262)
Financial liabilities held for trading	—	(10,085)	(6,100)	(6,816)	(2,279)	—	—	—	(25,280)
Financial liabilities designated at fair value through profit or loss	—	—	(157,092)	(87,454)	(83,150)	(28,104)	(44)	—	(355,844)
Financial assets sold under repurchase agreements	—	—	(111,212)	(13,183)	(2,997)	—	—	—	(127,392)
Due to customers	—	(7,051,636)	(619,909)	(1,142,689)	(2,460,833)	(1,625,937)	(2)	—	(12,901,006)
Debt securities issued	—	—	(21,271)	(38,484)	(95,595)	(111,192)	(115,305)	—	(381,847)
Other financial liabilities	—	(86,148)	(481)	(45)	(185)	(139)	(164)	—	(87,162)
Total non-derivative financial liabilities	—	(7,434,538)	(1,027,332)	(1,495,579)	(2,883,136)	(2,091,098)	(115,515)	—	(15,047,198)
Net position	**89,608**	**(7,218,591)**	**156,548**	**(156,460)**	**1,035,133**	**2,329,939**	**5,191,486**	**2,554,962**	**3,982,625**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

Bank (Continued)

	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 and loans to banks and other financial 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 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 interest rates products. 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 2014					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	(3)	18	14	(59)	(102)	(132)

	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)

Derivatives settled on a gross basis

The fair values of the Group's derivatives that will be settled on a gross basis are primarily foreign exchange rates and precious metal products. 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 2014					
	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	270,824	174,010	400,347	62,974	2,050	910,205
— Cash outflow	(271,642)	(173,741)	(399,764)	(62,679)	(2,050)	(909,876)
Total	**(818)**	**269**	**583**	**295**	**—**	**329**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Derivative cash flows (Continued)

Derivatives settled on a gross basis (Continued)

Group (Continued)

	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**

Bank

	31 December 2014					
	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	268,528	172,069	394,116	58,860	2,050	895,623
— Cash outflow	(269,348)	(171,819)	(393,564)	(58,570)	(2,050)	(895,351)
Total	**(820)**	**250**	**552**	**290**	**—**	**272**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.2 Liquidity risk (Continued)

Credit Commitments

The tables below summarize the amounts of credit commitments by remaining maturity.

Group

	31 December 2014			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	57,799	135,864	247,395	441,058
Bank acceptance	418,937	—	—	418,937
Credit card commitments	254,222	—	—	254,222
Guarantee and letters of guarantee	102,668	104,440	34,063	241,171
Letters of credit	219,359	7,978	—	227,337
Total	**1,052,985**	**248,282**	**281,458**	**1,582,725**

Bank

	31 December 2014			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	57,799	135,864	247,395	441,058
Bank acceptance	418,937	—	—	418,937
Credit card commitments	254,222	—	—	254,222
Guarantee and letters of guarantee	102,669	106,275	34,063	243,007
Letters of credit	219,359	7,978	—	227,337
Total	**1,052,986**	**250,117**	**281,458**	**1,584,561**

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 acceptance	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**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 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 Bank 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 Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank 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

	2014			
	At the end of the year	**Average**	**Maximum**	**Minimum**
Interest rate risk	73	69	98	50
Exchange rate risk (1)	32	92	247	31
Commodity risk	36	21	36	2
Overall VaR	88	135	289	57

	2013			
	At the end of the year	**Average**	**Maximum**	**Minimum**
Interest rate risk	81	46	91	17
Exchange rate risk (1)	161	80	161	12
Commodity risk	31	17	51	2
Overall VaR	211	113	211	36

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

VaR Analysis for the Trading Book (Continued)

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). 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.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

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.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary 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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

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, including 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 reflecting 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 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 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,702,760	38,745	892	668	2,743,065
Deposits with banks and other financial institutions	532,320	27,498	6,780	6,207	572,805
Placements with and loans to banks and other financial institutions	346,830	59,933	—	299	407,062
Financial assets held for trading	58,425	—	—	—	58,425
Financial assets designated at fair value through profit or loss	343,566	2,208	10,461	—	356,235
Derivative financial assets	2,810	4,203	21	161	7,195
Financial assets held under resale agreements	509,418	—	—	—	509,418
Loans and advances to customers	7,335,891	349,456	40,546	14,103	7,739,996
Available-for-sale financial assets	878,428	43,910	1,247	4,318	927,903
Held-to-maturity investments	1,701,059	9,428	—	463	1,710,950
Debt instruments classified as receivables	522,054	62	—	1	522,117
Other financial assets	120,380	5,373	1,464	971	128,188
Total financial assets	15,053,941	540,816	61,411	27,191	15,683,359
Borrowings from central bank	(80,121)	—	—	—	(80,121)
Deposits from banks and other financial institutions	(694,023)	(135,707)	(703)	(708)	(831,141)
Placements from banks and other financial institutions	(57,575)	(118,923)	(36,431)	(11,994)	(224,923)
Financial liabilities held for trading	(25,211)	—	—	—	(25,211)
Financial liabilities designated at fair value through profit or loss	(347,012)	(179)	—	(91)	(347,282)
Derivative financial liabilities	(2,924)	(2,278)	(45)	(1,993)	(7,240)
Financial assets sold under repurchase agreements	(122,632)	(8,389)	—	—	(131,021)
Due to customers	(12,296,462)	(194,887)	(26,645)	(15,403)	(12,533,397)
Debt securities issued	(205,846)	(96,943)	(15,720)	(6,658)	(325,167)
Other financial liabilities	(312,235)	(9,392)	(2,660)	(1,914)	(326,201)
Total financial liabilities	(14,144,041)	(566,698)	(82,204)	(38,761)	(14,831,704)
Net on-balance sheet position	**909,900**	**(25,882)**	**(20,793)**	**(11,570)**	**851,655**
Net notional amount of derivatives	(103,658)	60,135	25,844	16,029	(1,650)
Credit commitments	1,412,973	153,012	7,566	9,174	1,582,725

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Group (Continued)

	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 and loans to 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Bank

	31 December 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,702,492	38,745	892	668	2,742,797
Deposits with banks and other financial institutions	523,904	26,251	6,430	6,207	562,792
Placements with and loans to banks and other financial institutions	350,438	61,864	—	523	412,825
Financial assets held for trading	58,425	—	—	—	58,425
Financial assets designated at fair value through profit or loss	343,133	2,172	10,458	—	355,763
Derivative financial assets	2,706	4,074	21	149	6,950
Financial assets held under resale agreements	509,412	—	—	—	509,412
Loans and advances to customers	7,304,743	344,250	40,546	10,809	7,700,348
Available-for-sale financial assets	868,651	43,244	1,168	4,318	917,381
Held-to-maturity investments	1,693,617	9,428	—	463	1,703,508
Debt instruments classified as receivables	511,173	—	—	1	511,174
Other financial assets	106,687	5,328	374	946	113,335
Total financial assets	14,975,381	535,356	59,889	24,084	15,594,710
Borrowings from central bank	(80,030)	—	—	—	(80,030)
Deposits from banks and other financial institutions	(697,647)	(135,707)	(703)	(708)	(834,765)
Placements from banks and other financial institutions	(37,235)	(113,765)	(35,681)	(11,122)	(197,803)
Financial liabilities held for trading	(25,211)	—	—	—	(25,211)
Financial liabilities designated at fair value through profit or loss	(347,016)	(179)	—	(91)	(347,286)
Derivative financial liabilities	(2,800)	(2,276)	(45)	(1,951)	(7,072)
Financial assets sold under repurchase agreements	(118,561)	(8,389)	—	—	(126,950)
Due to customers	(12,292,883)	(195,092)	(26,936)	(15,258)	(12,530,169)
Debt securities issued	(205,846)	(95,112)	(15,720)	(6,658)	(323,336)
Other financial liabilities	(268,495)	(8,299)	(1,148)	(1,908)	(279,850)
Total financial liabilities	(14,075,724)	(558,819)	(80,233)	(37,696)	(14,752,472)
Net on-balance sheet position	**899,657**	**(23,463)**	**(20,344)**	**(13,612)**	**842,238**
Net notional amount of derivatives	(102,597)	58,317	25,844	16,758	(1,678)
Credit commitments	1,412,973	154,848	7,566	9,174	1,584,561

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

Bank (Continued)

	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 and loans to 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income 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 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

	31 December 2014		31 December 2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
1% appreciation	123	(3)	202	(1)
1% depreciation	(123)	3	(202)	1

Bank

	31 December 2014		31 December 2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
1% appreciation	89	(3)	197	(1)
1% depreciation	(89)	3	(197)	1

The effect on profit before tax and other comprehensive income 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing 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 established RMB benchmark interest rates for loans with a floor and such policy was eliminated with effect 20 July 2013 whereby financial institutions are in a position to price their loans based on commercial and market factors. The PBOC continues to establish RMB benchmark interest rates for deposit with a cap.

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 re-pricing 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

Group

	31 December 2014						
	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	2,475,672	—	—	—	—	267,393	2,743,065
Deposits with banks and other financial institutions	106,337	115,347	347,054	2,200	—	1,867	572,805
Placements with and loans to banks and other financial institutions	194,417	38,624	136,089	37,932	—	—	407,062
Financial assets held for trading	5,791	10,549	23,439	13,691	4,934	21	58,425
Financial assets designated at fair value through profit or loss	41,513	79,998	164,045	51,442	17,765	1,472	356,235
Derivative financial assets	—	—	—	—	—	7,195	7,195
Financial assets held under resale agreements	355,523	106,487	47,408	—	—	—	509,418
Loans and advances to customers	2,646,120	1,412,923	3,364,374	133,099	183,480	—	7,739,996
Available-for-sale financial assets	42,447	85,587	203,966	411,264	178,753	5,886	927,903
Held-to-maturity investments	11,192	81,195	192,417	823,752	602,394	—	1,710,950
Debt instruments classified as receivables	1	2,388	35,064	78,810	405,766	88	522,117
Other financial assets	—	—	—	—	—	128,188	128,188
Total financial assets	5,879,013	1,933,098	4,513,856	1,552,190	1,393,092	412,110	15,683,359
Borrowings from central bank	—	(80,011)	(80)	—	—	(30)	(80,121)
Deposits from banks and other financial institutions	(309,021)	(50,908)	(187,588)	(283,479)	—	(145)	(831,141)
Placements from banks and other financial institutions	(96,461)	(73,279)	(53,152)	(2,031)	—	—	(224,923)
Financial liabilities held for trading	(6,074)	(6,789)	(2,263)	—	—	(10,085)	(25,211)
Financial liabilities designated at fair value through profit or loss	(155,596)	(85,497)	(80,022)	(26,131)	(36)	—	(347,282)
Derivative financial liabilities	—	—	—	—	—	(7,240)	(7,240)
Financial assets sold under repurchase agreements	(113,805)	(14,229)	(2,987)	—	—	—	(131,021)
Due to customers	(7,477,195)	(1,105,613)	(2,363,672)	(1,412,631)	(184)	(174,102)	(12,533,397)
Debt securities issued	(25,646)	(44,772)	(76,427)	(23,409)	(154,913)	—	(325,167)
Other financial liabilities	—	—	—	—	—	(326,201)	(326,201)
Total financial liabilities	(8,183,798)	(1,461,098)	(2,766,191)	(1,747,681)	(155,133)	(517,803)	(14,831,704)
Interest rate gap	**(2,304,785)**	**472,000**	**1,747,665**	**(195,491)**	**1,237,959**	**(105,693)**	**851,655**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk (Continued)

Group (Continued)

	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 and loans to 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk (Continued)

Bank

	31 December 2014						
	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	2,475,451	—	—	—	—	267,346	2,742,797
Deposits with banks and other financial institutions	102,516	114,669	343,895	—	—	1,712	562,792
Placements with and loans to banks and other financial institutions	198,716	38,150	137,527	38,432	—	—	412,825
Financial assets held for trading	5,791	10,549	23,439	13,691	4,934	21	58,425
Financial assets designated at fair value through profit or loss	41,513	80,998	164,045	51,442	17,765	—	355,763
Derivative financial assets	—	—	—	—	—	6,950	6,950
Financial assets held under resale agreements	355,517	106,487	47,408	—	—	—	509,412
Loans and advances to customers	2,644,664	1,407,939	3,353,263	115,015	179,467	—	7,700,348
Available-for-sale financial assets	42,410	85,561	203,194	410,529	175,116	571	917,381
Held-to-maturity investments	11,192	80,961	189,992	821,853	599,510	—	1,703,508
Debt instruments classified as receivables	1	2,388	34,953	75,739	398,005	88	511,174
Other financial assets	—	—	—	—	—	113,335	113,335
Total financial assets	5,877,771	1,927,702	4,497,716	1,526,701	1,374,797	390,023	15,594,710
Borrowings from central bank	—	(80,000)	—	—	—	(30)	(80,030)
Deposits from banks and other financial institutions	(311,397)	(50,908)	(188,164)	(284,151)	—	(145)	(834,765)
Placements from banks and other financial institutions	(92,584)	(65,191)	(39,903)	(125)	—	—	(197,803)
Financial liabilities held for trading	(6,074)	(6,789)	(2,263)	—	—	(10,085)	(25,211)
Financial liabilities designated at fair value through profit or loss	(155,600)	(85,497)	(80,022)	(26,131)	(36)	—	(347,286)
Derivative financial liabilities	—	—	—	—	—	(7,072)	(7,072)
Financial assets sold under repurchase agreements	(110,891)	(13,072)	(2,987)	—	—	—	(126,950)
Due to customers	(7,477,359)	(1,105,479)	(2,362,977)	(1,410,250)	(2)	(174,102)	(12,530,169)
Debt securities issued	(25,646)	(44,772)	(76,427)	(21,578)	(154,913)	—	(323,336)
Other financial liabilities	—	—	—	—	—	(279,850)	(279,850)
Total financial liabilities	(8,179,551)	(1,451,708)	(2,752,743)	(1,742,235)	(154,951)	(471,284)	(14,752,472)
Interest rate gap	**(2,301,780)**	**475,994**	**1,744,973**	**(215,534)**	**1,219,846**	**(81,261)**	**842,238**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk (Continued)

Bank (Continued)

	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 and loans to 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)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 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 other comprehensive income 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. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

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.

The sensitivity analysis on other comprehensive income 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 other comprehensive income.

Group

	31 December 2014		31 December 2013	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(11,600)	(23,485)	(11,922)	(19,330)
–100 basis points	11,600	23,485	11,922	19,330

Bank

	31 December 2014		31 December 2013	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	(11,548)	(23,165)	(11,882)	(19,330)
–100 basis points	11,548	23,165	11,882	19,330

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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 FINANCIAL RISK MANAGEMENT (Continued)

48.3 Market risk (Continued)

Interest rate risk (Continued)

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end.

48.4 Insurance risk

The Group engages in its insurance business primarily in 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.

49 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 "Capital Rules for Commercial Banks (Provisional)" which took effect from 1 January 2013. Upon the effectiveness of this new regulation, the then existing "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", issued by the CBRC, was superseded in full.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 CAPITAL MANAGEMENT (Continued)

The "Capital Rules for Commercial Banks (Provisional)" includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

The Group has been using the Weighted approach and the Basic Indicator approach to measure its Credit Risk-weighted Assets and Operational Risk-weighted Assets, respectively, for the purpose of calculating its Capital Adequacy Ratios. In April 2014, the CBRC has officially approved the Group to adopt the Internal Ratings — Based approach to measure its Credit Risk-weighted Assets for both retail and non-retail risk exposures and the Standardized approach to measure its Operational Risk-weighted Assets, respectively. The CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the above two approaches, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

As at 31 December 2014 and 31 December 2013, the Group adopted the Standardized approach for Market Risk-weighted Assets measurement.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 CAPITAL MANAGEMENT (Continued)

The table below summarizes the Capital Adequacy Ratios and capital composition as at 31 December 2014 calculated pursuant to the "Capital Rules for Commercial Banks (Provisional)" and under the Internal Ratings — Based approach for Credit Risk-weighted Asset and the Standardized approach for Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively, as approved by the CBRC in April 2014.

		31 December 2014
Common Equity Tier-one Capital Adequacy Ratio	(1)	9.09%
Tier-one Capital Adequacy Ratio	(1)	9.46%
Capital Adequacy Ratio	(1)	12.82%
Common Equity Tier-one Capital	(2)	991,429
Deductible Items from Common Equity Tier-one Capital	(3)	(5,223)
Net Common Equity Tier-one Capital		986,206
Additional Tier-one Capital	(4)	39,946
Net Tier-one Capital		1,026,152
Tier-two Capital	(5)	362,407
Net Capital		1,391,559
Risk-weighted Assets	(6)	10,852,619

As at 31 December 2013, the Group's Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio with Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets measured under the Weighted approach, the Standardized approach, and the Basic Indicator approach were 9.25%, 9.25% and 11.86% respectively.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 CAPITAL MANAGEMENT (Continued)

Pursuant to the "Capital Rules for 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 Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity 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 Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve.

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity 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: preference shares issued and non-controlling 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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 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 financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2014 and 2013.

50.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are 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 were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

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 2014, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.2 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).

50.3 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 with Banks and Other Financial Institutions, Placements with and Loans to 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, Interbank Certificate of Deposits Issued and Commercial Papers Issued are not included in the tables below.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.3 *Financial assets and financial liabilities not measured at fair value on the consolidated statement of financial position* (Continued)

Group

		31 December 2014		31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Held-to-maturity investments		1,710,950	1,725,227	1,523,815	1,444,898
Debt instruments classified as receivables	(1)	150,503	150,690	136,736	131,214
Total		**1,861,453**	**1,875,917**	**1,660,551**	**1,576,112**
Financial liabilities					
Bonds issued	(2)	191,994	193,493	156,300	146,741

Bank

		31 December 2014		31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Held-to-maturity investments		1,703,508	1,717,746	1,517,998	1,439,081
Debt instruments classified as receivables	(1)	139,560	139,681	130,105	124,583
Total		**1,843,068**	**1,857,427**	**1,648,103**	**1,563,664**
Financial liabilities					
Bonds issued	(2)	190,163	191,672	156,300	146,741

Other than as stated below, financial assets and financial liabilities as set out above were classified within Level 2 of the fair value measurement hierarchy.

(1) As at 31 December 2014, included in the Group's debt instruments classified as receivables, RMB11,204 million were classified within Level 3 of the fair value measurement hierarchy (31 December 2013: RMB6,414 million). The Bank has no debt instruments classified as receivables classified within Level 3 of the fair value measurement hierarchy as at 31 December 2014 and 31 December 2013.

(2) As at 31 December 2014, included in the Group's and the Bank's bonds issued RMB3,055 million were classified within Level 1 of the fair value measurement hierarchy (31 December 2013: RMB3,048 million).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 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 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	40,810	—	40,810
— Precious metal contracts	—	17,615	—	17,615
Subtotal	—	58,425	—	58,425
Financial assets designated at fair value through profit or loss				
— Debt securities	122	45,971	—	46,093
— Interest in trust products	—	—	248,794	248,794
— Other debt instruments	—	—	59,876	59,876
— Equity instruments	3	633	836	1,472
Subtotal	125	46,604	309,506	356,235
Derivative financial assets				
— Exchange rate derivatives	—	5,654	164	5,818
— Interest rate derivatives	—	757	38	795
— Precious metal contracts	—	561	—	561
— Others	—	—	21	21
Subtotal	—	6,972	223	7,195
Available-for-sale financial assets				
— Debt securities	19,098	902,804	115	922,017
— Equity instruments	919	—	1,325	2,244
— Fund investments	3,358	—	—	3,358
Subtotal	23,375	902,804	1,440	927,619
Total assets	**23,500**	**1,014,805**	**311,169**	**1,349,474**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(25,211)	—	(25,211)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(347,282)	(347,282)
Derivative financial liabilities				
— Exchange rate derivatives	—	(6,020)	(226)	(6,246)
— Interest rate derivatives	—	(866)	(70)	(936)
— Precious metal contracts	—	(58)	—	(58)
Subtotal	—	(6,944)	(296)	(7,240)
Total liabilities	**—**	**(32,155)**	**(347,578)**	**(379,733)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 *Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position* (Continued)

Group (Continued)

	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 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 assets	**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 liabilities	**—**	**(27,748)**	**(286,146)**	**(313,894)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 *Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position* (Continued)

Bank

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	40,810	—	40,810
— Precious metal contracts	—	17,615	—	17,615
Subtotal	—	58,425	—	58,425
Financial assets designated at fair value through profit or loss				
— Debt securities	122	45,971	—	46,093
— Interest in trust products	—	—	248,794	248,794
— Other debt instruments	—	—	60,876	60,876
Subtotal	122	45,971	309,670	355,763
Derivative financial assets				
— Exchange rate derivatives	—	5,430	164	5,594
— Interest rate derivatives	—	757	38	795
— Precious metal contracts	—	561	—	561
Subtotal	—	6,748	202	6,950
Available-for-sale financial assets				
— Debt securities	18,847	897,848	115	916,810
— Equity instruments	287	—	—	287
Subtotal	19,134	897,848	115	917,097
Total	**19,256**	**1,008,992**	**309,987**	**1,338,235**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(25,211)	—	(25,211)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(347,286)	(347,286)
Derivative financial liabilities				
— Exchange rate derivatives	—	(5,852)	(226)	(6,078)
— Interest rate derivatives	—	(866)	(70)	(936)
— Precious metal contracts	—	(58)	—	(58)
Subtotal	—	(6,776)	(296)	(7,072)
Total	**—**	**(31,987)**	**(347,582)**	**(379,569)**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Bank (Continued)

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
— Debt securities	—	41,693	—	41,693
— Precious metal 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)**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 *Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position* (Continued)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts is determined with reference to the closing spot price of gold of the Shanghai Gold Exchange. All significant inputs are observable in the market.

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 of the fair value measurement hierarchy 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 corporate 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 of the fair value measurement hierarchy. 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 underlying assets 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 years ended 31 December 2014 and 2013.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 *Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position* (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value on the consolidated statement of financial position is as follows:

Group

	2014				
	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 2014	211,011	347	225	(285,454)	(692)
Purchases	367,322	21	1,325	—	—
Issues	—	—	—	(3,084,325)	—
Settlements/disposals	(285,313)	(17)	(110)	3,036,734	36
Total gains/(losses) recognized in					
— Profit or loss	16,486	(128)	2	(14,237)	360
— Other comprehensive income	—	—	(2)	—	—
31 December 2014	**309,506**	**223**	**1,440**	**(347,282)**	**(296)**
Change in unrealized (losses)/gains for the year included in profit or loss for assets/liabilities held at the end of the year	(787)	(128)	—	439	360

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Group (Continued)

	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/disposals	(357,601)	(48)	(5,536)	1,080,965	232
Total gains/(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/(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)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position (Continued)

Bank

	Year ended 31 December 2014				
	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 2014	209,987	347	196	(285,454)	(692)
Purchases	367,902	—	—	—	—
Issues	—	—	—	(3,084,329)	—
Settlements/disposals	(284,689)	(17)	(80)	3,036,734	36
Total gains/(losses) recognized in					
— Profit or loss	16,470	(128)	1	(14,237)	360
— Other comprehensive income	—	—	(2)	—	—
31 December 2014	**309,670**	**202**	**115**	**(347,286)**	**(296)**
Change in unrealized (losses)/gains for the year included in profit or loss for assets/liabilities held at the end of the year	(787)	(128)	—	439	360

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

50.4 *Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position* (Continued)

Bank (Continued)

	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/disposals	(357,577)	(48)	(5,291)	1,080,965	232
Total gains/(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/(losses) for the year included in profit or loss for assets/liabilities held at the end of the year	647	(401)	—	(693)	932

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/(loss) on Investment Securities of the consolidated income statement.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51 EVENTS AFTER THE REPORTING PERIOD

51.1 Profit appropriation

Pursuant to the meeting of the Board of Directors on 24 March 2015, the proposal for profit appropriations of the Bank for the year ended 31 December 2014 is set forth as follows:

(i) An appropriation of RMB17,894 million to the statutory surplus reserve;

(ii) An appropriation of RMB18,721 million to the general reserve;

(iii) A cash dividend of RMB0.182 per ordinary share in respect of the year ended 31 December 2014 based on the number of ordinary shares issued as at 31 December 2014 totaling RMB59,113 million (Note IV 10 Dividends).

As at 31 December 2014, 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.

51.2 Issuance of preference shares

The Bank completed the issuance of the second tranche of 400 million preference shares at par on 18 March 2015. The second tranche preference shares bear a dividend rate of 5.5% per annum for the first five years from issuance, and the dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. For details of terms and conditions of preference shares, please refer to Note IV 37 Preference Shares.

52 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	
	2014	**2013**
RMB current assets to RMB current liabilities	44.02%	43.57%
Foreign currency current assets to foreign currency current liabilities	72.49%	114.95%

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 2014				
Spot assets	545,824	61,698	27,918	635,440
Spot liabilities	(564,420)	(82,159)	(36,768)	(683,347)
Forward purchases	432,294	34,327	41,240	507,861
Forward sales	(368,809)	(8,499)	(25,214)	(402,522)
Net options position	(1,330)	6	(398)	(1,722)
Net long position	43,559	5,373	6,778	55,710
Net structural position	**3,403**	**5,302**	**723**	**9,428**

	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**

(Amounts in millions of Renminbi, unless otherwise stated)

3. CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include Balances with Central Banks, Deposits with Banks and other Financial Institutions, Placements with and Loans to 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 2014				
Asia Pacific excluding the Mainland China	16,765	—	61,443	78,208
— of which attributable to Hong Kong	5,076	—	48,858	53,934
Europe	18,266	151	266	18,683
North and South America	22,666	3,371	5,911	31,948
Africa	62	—	215	277
Total	**57,759**	**3,522**	**67,835**	**129,116**

	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 toHong 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	
	2014	**2013**
Overdue		
below 3 months	73,139	34,893
between 3 and 6 months	27,840	6,832
between 6 and 12 months	28,617	15,078
over 12 months	37,024	43,621
Total	**166,620**	**100,424**
Percentage of overdue loans and advances to customers in total loans		
below 3 months	0.90%	0.48%
between 3 and 6 months	0.35%	0.09%
between 6 and 12 months	0.35%	0.22%
over 12 months	0.46%	0.60%
Total	**2.06%**	**1.39%**

(2) Overdue and rescheduled loans and advances to customers

	As at 31 December	
	2014	**2013**
Total rescheduled loans and advances to customers	26,403	10,376
Including: rescheduled loans and advances to customers overdue for not more than 3 months	23,234	7,960
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.29%	0.11%

(3) Gross amount of overdue placements with and loans to banks and other financial institutions.

The gross amount of the Group's overdue placements with and loans to banks and other financial institutions as at 31 December 2014 and 31 December 2013 were not material.

Add : No. 69, Jianguomen Nei Avenue,
Dongcheng District, Beijing, P.R. China
Postal Code : 100005
Tel : 86-10-85108888
http: //www.abchina.com

中国农业银行
AGRICULTURAL BANK OF CHINA