



HUA XIA BANK CO., LIMITED

Annual Report 2014



Chairman of the Board: Wu Jian



President: Fan Dazhi



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IMPORTANT NOTICE

i. The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Hua Xia Bank Co., Limited (the “Company”) undertake that the information in this report contains no false record, misleading statement or material omission, and assume joint and several liabilities to the authenticity, accuracy and completeness of the information in this report.

ii. The *Annual Report 2014 of Hua Xia Bank Co., Limited* and its Summary were reviewed and approved at the Ninth Meeting of the Seventh Board of Directors of the Company on 15 April 2015. All of the 17 Directors that should attend the meeting were present actually. Three Supervisors of the Company attended the meeting as non-voting delegates.

iii. Profit distribution plan and plan on strengthening of capital base with capital reserve for the reporting period reviewed by the Board of Directors:

With 8,904,643,509 shares outstanding of the Company at the end of 2014 as the base number, cash dividends will be distributed to all of the shareholders at RMB4.35 (before tax) per 10 shares. With 8,904,643,509 shares outstanding as the base, the capital reserve will be used to strengthen the capital base at two shares transferred per ten shares.

For details, please refer to “Section IV Report of the Board of Directors”.

iv. The 2014 financial statements of the Company have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with Chinese auditing standards, with standard unqualified auditor’s report being issued.

v. Wu Jian, Chairman of the Board of Directors of the Company, Fan Dazhi, President of the Company, Guan Wenjie, Principal of Financial Affairs of the Company, and Fu Shengfeng, Person-in-charge of the Accounting Department of the Company, hereby warrant that the financial statements contained in the Annual Report are authentic and complete.

vi. This report contains future plans and other forward-looking statements, which do not constitute the Company’s material undertakings to the investors. Please be cautious of investment risks.

Should there be any discrepancy between the English version and the Chinese version, the latter shall prevail.

DEFINITIONS

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

the Group	Hua Xia Bank Co., Limited and its subsidiaries
The Company, the Bank, Hua Xia Bank	Hua Xia Bank Co., Limited
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
MOF	Ministry of Finance of the People's Republic of China
SHIBOR	Shanghai Interbank Offered Rate
Yuan	RMB

Important risk notice: The Company has described the risks that may adversely affect the fulfillment of the Company's future development strategies and business objectives. Please refer to risk-related part in Section IV "Report of the Board of Directors".

COMPANY PROFILE

- I. Legal name in Chinese: 华夏银行股份有限公司
Chinese name in short: 华夏银行
Legal name in English: HUA XIA BANK CO., Limited
- II. Legal representative: Wu Jian
- III. Secretary to the Board of Directors: Zhao Junxue
Securities affairs representative: Zhang Taiqi
Address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing
Postal code: 100005
Tel: 010-85238570, 85239938
Fax: 010-85239605
Email: zhdb@hxb.com.cn
- IV. Registered address: 22 Jianguomennei Street, Dongcheng District, Beijing
Business address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing
Postal code: 100005
Website: <http://www.hxb.com.cn>; <http://www.95577.com.cn>
Email: zhdb@hxb.com.cn
- V. Newspaper designated for disclosure of information: China Securities Journal, Shanghai Securities News and Securities Times
Website designated by CSRC for publication of the annual report: <http://www.sse.com.cn>
Location where copies of this annual report are kept: Office of the Board of Directors of the Company
- VI. Place where shares are listed: Shanghai Stock Exchange
Stock name: Hua Xia Bank
Stock code: 600015
- VII. Change of registration during the reporting period:
 - i. Basic information
Date of initial registration: 18 March 1998
Place of initial registration: State Administration for Industry and Commerce, PRC
Date of registration change: 23 May 2014
Place of registration change: State Administration for Industry and Commerce, PRC
Registration item changed: Change the registered capital to RMB8,904,643,509
Incorporate enterprise business license number: 100000000029676
Tax registration certificate number: J.S.Z.Z. No. 11010210112001X
Organizational code: 10112001-X
 - ii. Change of principal operation since listing
The Company's principal operation has never changed since listing.
 - iii. Change of controlling shareholder since listing
The Company has no controlling shareholder.
- VIII. Other relevant information:
Name of depositary of shares of the Company: Shanghai Branch of China Securities Depository and Clearing Co., Ltd.
Name of accounting firm the Company engaged: Deloitte Touche Tohmatsu Certified Public Accountants LLP
Business address: 30/F Bund Center, 222 Yan An Road East, Shanghai, China
Signed CPAs: Lv Jing & Li Jing

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR PROFIT INDICATORS OF THE YEAR

(Unit: RMB1 million)

Item	2014
Gross profit	24,003
Net profit attributable to equity holders of the listed company	17,981
Net profit attributable to equity holders of the listed company after deduction of extraordinary profit and loss	17,912
Operating profit	23,891
Return on investment	580
Net income from non-operating activities	112
Net cash flows from operating activities	12,882
Net increase in cash and cash equivalents	3,881

Extraordinary Profit and Loss Items and Amounts

(Unit: RMB1 million)

Extraordinary profit and loss item	2014	2013	2012
(Profit)/loss from the disposal of fixed assets	-8	-5	-8
(Profit)/loss from contingencies irrelevant to the normal operation of the Company	–	–	-1
(Profit)/loss on changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities excluding effective hedging transaction related to the Company's normal operation	–	–	9
Return on investment from the disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	–	–	33
Other non-operating income and expenses except for the above items, net	120	50	59
Total extraordinary profit and loss	112	45	92
Less: Income tax influence of extraordinary profit and loss	38	15	24
Extraordinary profit and loss, net	74	30	68
Less: Influence of extraordinary profit and loss attributable to minority shareholders of the Company, net (after-tax)	5	1	–
Extraordinary profit and loss attributable to ordinary shareholders of the Company	69	29	68

Note: The extraordinary profit and loss are identified and calculated in accordance with the *Explanatory Notice on Information Disclosure by Companies that Offer Securities to the Public No.1 – Extraordinary Profit and Loss (2008)*.

II. MAIN ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE THREE YEARS PRIOR TO THE END OF THE REPORTING PERIOD

(Unit: RMB1 million)

Main accounting data	2014	2013	Change compared with last year (%)	2012
Operating income	54,885	45,219	21.38	39,778
Operating profit	23,891	20,660	15.64	17,202
Gross profit	24,003	20,705	15.93	17,252
Net profit attributable to equity holders of the listed company	17,981	15,506	15.96	12,797
Net profit attributable to equity holders of the listed company after deduction of extraordinary profit and loss	17,912	15,477	15.73	12,729
Net cash flows from operating activities	12,882	251,145	-94.87	94,844
	End of 2014	End of 2013	Change compared with last year (%)	End of 2012
Total assets	1,851,628	1,672,447	10.71	1,488,860
Total Liabilities	1,749,529	1,586,428	10.28	1,414,137
Owner's equity attributable to equity holders of the listed company	101,458	85,420	18.78	74,694
Total share capital	8,905	8,905	–	6,850

Major financial indicator	2014	2013	Change compared with last year (%)	2012
Basic earnings per share (in RMB)	2.02	1.74	16.09	1.44
Diluted earnings per share (in RMB)	2.02	1.74	16.09	1.44
Basic earnings per share after deduction of extraordinary profit and loss (in RMB)	2.01	1.74	15.52	1.43
Weighted average return on equity (%)	19.31	19.30	Up 0.01 percentage point	18.50
Weighted average return on net assets after deduction of extraordinary profit and loss (%)	19.24	19.27	Down 0.03 percentage point	18.41
Net cash flow per share from operating activities (in RMB)	1.45	28.20	-94.86	10.65
	End of 2014	End of 2013	Change compared with last year (%)	End of 2012
Net assets per share attributable to equity holders of the listed company (in RMB)	11.39	9.59	18.77	8.39
Liability/asset ratio (%)	94.49	94.86	Down 0.37 percentage point	94.98

Supplementary financial ratios

Item	2014	2013	2012
Net interest spread (%)	2.52	2.50	2.52
Net interest margin (%)	2.69	2.67	2.71

Notes:

1. Relevant indicators are calculated according to the *Explanatory Notice on Information Disclosure by Companies that Offer Securities to the Public No.1 – Extraordinary Profit and Loss (2008)*, the *Standards Concerning the Contents and Formats of Information Disclosure by Companies that Offer Securities to the Public No. 2 – Contents and Formats of Annual Reports (Revision 2014)*, and 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 2010)*.

2. Liability/asset ratio=total liabilities/total assets.

3. Net interest spread is the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

4. Net interest margin is calculated by dividing net interest income by the average balance of interest-generating assets.

5. According to the *Notice on Regulating Interbank Business of Financial Institutions* (Y.F. [2014] No. 127), the Group has recognized the transactions with asset beneficiary power as the subject matter into the investment with receivables instead of financial assets held under resale agreements and also reconciled the financial statement data for the comparable period (hereinafter the same).

III. SCHEDULES TO THE INCOME STATEMENT

Profit of the reporting period	Weighted average return on equity (%)	Earnings per share (in RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	19.31	2.02	2.02
Net profit attributable to ordinary shareholders of the Company after deducting extraordinary profit and loss	19.24	2.01	2.01

Note: Calculated according to 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 2010)*.

IV. CHANGES IN SHAREHOLDERS' EQUITY DURING THE REPORTING PERIOD

(Unit: RMB1 million)

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Minority shareholders' equity	Total shareholders' equity
At the beginning of the period	8,905	30,543	-1,850	4,585	12,949	30,288	599	86,019
Increase during the period	-	-	1,835	1,549	4,151	17,981	42	25,558
Decrease during the period	-	-	-96	-	-	9,574	-	9,478
At the end of the period	8,905	30,543	81	6,134	17,100	38,695	641	102,099

Reasons for changes in shareholders' equity:

1. The Group adjusted the disclosure of "capital reserve" and "other comprehensive income" based on the *Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements* effective on 1 July 2014.

2. The increase of "other comprehensive income" is due to the amount (after tax) of owner's equity affected by the changes in fair value of available-for-sale financial assets during the reporting period; the decrease during the period is due to the profit and loss amount (after tax) transferred from the changes in fair value of available-for-sale financial assets during the period during the reporting period.

3. According to the 2013 Profit Distribution Plan approved at the Shareholders' General Meeting dated 22 May 2014, the Company set aside statutory surplus fund of RMB1,549 million and general reserve of RMB4,151 million, and it also distributed cash dividends at RMB4.35 (before tax) per ten shares, totaling RMB3,874 million, to all of its shareholders. As a result, "surplus reserve" and "general reserve" increased, while "retained profit" decreased.

4. The increase of "retained profit" is due to a higher net profit during the reporting period.

5. The increase of "minority shareholders' equity" is due to net profit earned by the Group's non-wholly-controlled subsidiary during the reporting period.

V. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(Unit: RMB1 million)

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Effect on profit of the period
Financial assets designated at fair value through profit or loss	8,699	9,066	367	99
Available-for-sale financial assets	65,134	63,366	-1,768	-
Derivative financial instruments	-14	69	83	83
Total	73,819	72,501	-1,318	182

REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

i. Business overview

During the reporting period, the Company earnestly implemented the objectives and requirements of the development plan, promoted reform and innovation, pushed forward structural adjustment, improved service quality and effectiveness, ensured smooth operation and fully completed the annual business objectives determined by the Board of Directors.

1. Steady expansion of asset scale

At the end of the reporting period, the Group's total assets reached RMB1,851,628 million, an increase of RMB179,181 million or 10.71% over the beginning of the year; total loans increased by RMB116,820 million or 14.19% to RMB939,989 million; total deposits increased by RMB125,624 million or 10.67% to RMB1,303,216 million.

2. Continuous enhancement of profitability

During the reporting period, net profit attributable to equity holders of the listed company stood at RMB17,981 million, an increase of RMB2,475 million or 15.96% compared with the previous year, 5.25 percentage points higher than the asset growth rate. Fee-based business income increased by RMB1,879 million or 26.72% to RMB8,911 million, 5.34 percentage points higher than the growth rate of operating income. Return on assets (ROA) increased by 0.04 percentage point year on year to 1.02%, and return on equity (ROE) rose by 0.01 percentage point to 19.31%.

3. Continuous improvement of business structure

First, customer structure improved continuously. The Company strengthened the organizing and advance of customer services, and related customer development and business tapping to products and channels. The number of corporate customers and personal customers increased by 12.44% and 23.60% respectively. Second, asset and liability structure tended to ameliorate steadily. The Company intensified overall allocation of resources, and slanted resources to the business with good profitability, low cost and small capital occupation. The structure of assets and liabilities became more reasonable. Third, business structural adjustment continued. The Company accelerated the development of small enterprises and personal business. Small enterprise loans continued fulfilling the target of "no less than two thresholds", and the balance of personal loans rose by 22.41% over the beginning of the year. Fourth, cost and income structure kept improving. The Company tightened the comprehensive budget and pricing management, and strictly controlled the fund cost. It made great efforts to promote the fee-based business, which contributed 16.24% of the total income, an increase of 0.69 percentage point compared with a year earlier. It also implemented the management of cost breakdowns, and the cost-to-income ratio decreased by 1.36 percentage points year on year to 37.57%.

4. Further improvement of service quality and effectiveness

First, the cultivation of "Hua Xia Service" brand was ever deepened. The Company specified the brand cultivation requirements, kept improving the service quality and effectiveness of outlets, further bettered service facilities, and continuously optimized people-oriented services. The number of outlets reached 590 at the end of 2014. Second, product R&D and promotion were strengthened. By innovation of financing service modes, the Company was the first among domestic banks to launch the unique products such as online loans for small enterprises and annual examination-based loans for small and micro enterprises. And its Beijing, Tianjin and Hebei coordinated development card, the first of its kind in China, has been recognized by the market and customers. Third, technical support for business was enhanced. The Company strengthened the construction of the "Second Bank", optimized the functions of internet and mobile banking services, and launched the direct banking and WeChat banking, in a bid to develop "Smart E-Banking".

5. Stable business operation

First, gradually deepen comprehensive risk management. The Company planned on the comprehensive risk management system, sorted and standardized risk prevention and control process, and intensified risk management of innovative business. Second, strengthen credit risk management. The Company strengthened the management and control of credit operation, further expanded the risk management and control scope for key industries and fields, and intensified the recovery and disposal of troubled loans. Its non-performing loan ratio was 1.09%. Third, strengthen IT risk management. Nonlocal disaster recovery centers were formally put into operation. An overall architecture of “Three Centers in Two Places” has basically taken shape. The Company has completed the construction and switch drill of local disaster recovery centers of 34 tier-1 branches. Fourth, continuously strengthen internal control & compliance, case prevention and corruption risk prevention, and commit no case in the year. Fifth, gradually improve the emergency management mechanism, strengthen business continuity and reputational risk management, and optimize rules and standards.

ii. Analysis of principal operation

During the reporting period, the Group recorded an operating income of RMB54,885 million and an operating profit of RMB23,891 million, a year-on-year increase of 21.38% and 15.64% respectively, mainly attributable to the steady expansion of business scale, continuous optimization of business structure, more refined management of expenses and effective control of costs.

1. Analysis of major indicators

(Unit: RMB1 million)

Item	2014	2013	Change (%)
Operating income	54,885	45,219	21.38
Operating profit	23,891	20,660	15.64
Net profit attributable to equity holders of the listed company	17,981	15,506	15.96
Net increase in cash and cash equivalents	3,881	71,182	-94.55

2. Breakdowns by geographical area

(Unit: RMB1 million)

Geographical area	Operating income	Change compared with previous year (%)	Operating profit	Change compared with previous year (%)
Northern China and Northeastern China	22,328	21.98	11,472	11.14
Eastern China	13,095	18.80	4,045	74.43
Central China and Southern China	11,425	27.97	4,389	10.81
Western China	8,037	15.39	3,985	-1.80
Total	54,885	21.38	23,891	15.64

3. Changes in operating income

(Unit: RMB1 million)

Business category	2014	Percentage (%)	2013	Increase/decrease compared with the previous year (%)
Interest income from loans and advances	58,272	56.01	50,100	16.31
Interest income from investment receivables	15,626	15.02	3,316	371.23
Interest income from held-to-maturity investments	5,303	5.10	4,424	19.87
Interest income from financial assets held under resale agreements	5,243	5.04	8,532	-38.55
Interest income on due from central banks	3,785	3.64	3,334	13.53
Interest income from available-for-sale financial assets	3,007	2.89	3,139	-4.21
Interest income from deposits in other financial institutions	2,024	1.95	1,951	3.74
Interest income from placements with banks and other financial institutions	706	0.68	975	-27.59
Interest income of financial assets designated at fair value through profit or loss	396	0.38	482	-17.84
Fee income	8,681	8.34	6,861	26.53
Others	992	0.95	5	19740.00
Total	104,035	100.00	83,119	25.16

4. Explanations on reasons for major changes in profit composition, principal operation and structure, profitability of principal operation from the previous reporting period

During the reporting period, the Group's profit composition, principal operation and structure and profitability of principal operation did not change substantially from the previous reporting period.

5. Analysis on cash flows of the Company

During the reporting period, net flow of cash and cash equivalents of the Group was RMB3,881 million of net cash inflows. Among them, net cash inflow from operating activities was RMB12,882 million, which was mainly attributed to the continuous strengthening of liquidity risk management and the balanced and sound operation of asset and liability services. Net cash outflow from investing activities amounted to RMB20,167 million, mainly a result of an increase in investments. Financing activities resulted in a net cash inflow of RMB11,068 million mainly due to issuance of debts.

iii. Analysis of changes in financial indicators

1. Changes in major financial indicators and the reasons

(Unit: RMB1 million)

Major financial indicator	At the end of the reporting period	Increase/decrease compared with the end of previous year (%)	Main reason
Total assets	1,851,628	10.71	Asset-based business, such as loans, increased
Total Liabilities	1,749,529	10.28	Liability-based business, such as deposits, increased
Owner's equity attributable to equity holders of the listed company	101,458	18.78	Net profit increased
Major financial indicator	Reporting period	Increase/decrease compared with the previous year (%)	Main reason
Operating income	54,885	21.38	Business size expanded and income grew
Operating profit	23,891	15.64	Business size expanded and profitability improved
Net profit attributable to equity holders of the listed company	17,981	15.96	Business size expanded and profitability improved
Net increase in cash and cash equivalents	3,881	-94.55	The net increase in cash and cash equivalents decreased

2. Items with over 30% changes in the comparative accounting statements

(Unit: RMB1 million)

Major accounting item	At the end of the reporting period	Increase/decrease compared with the end of previous year (%)	Main reason
Due from banks and other financial institutions	62,666	55.87	Due from banks and other financial institutions increased
Due to central banks	20,058	66760.00	Due to central banks increased
Repurchase agreements	40,202	-32.87	Repurchase agreements decreased
Accrued payroll	6,733	30.03	Accrued payroll increased
Interest payable	17,567	51.00	Interest payable increased
Debt obligations payable	23,839	183.80	Bonds and peers' certificates of deposits were issued during the period
Other comprehensive income	81	104.38	Fair value of available-for-sale financial assets changed
Surplus reserve	6,134	33.78	Surplus reserve was set aside according to the profit distribution plan for 2013
General reserve	17,100	32.06	Set aside general reserve according to the profit distribution plan for 2013
Major accounting item	Reporting period	Increase/decrease compared with the previous year (%)	Main reason
Fee and commission expenses	1,029	87.43	Fees increased
Gain/(Loss) on investments	580	600.00	Gain on investments increased
Gain/(Loss) on the changes in fair value	182	464.00	Fair value changed
Exchange gain	208	39.60	Exchange gain increased
Asset impairment loss	6,276	70.08	Asset impairment loss increased
Other business costs	211	1010.53	Other business costs increased
Non-operating income	172	145.71	Non-operating income increased
Non-operating expenses	60	140.00	Non-operating expenses increased
Minority shareholders' gain/loss	42	740.00	Minority shareholders' gain/loss increased

iv. Analysis of major income statement items

1. Interest income

(Unit: RMB1 million)

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	48,607	51.51	42,604	55.87
Personal loans and advances	9,342	9.90	7,100	9.31
Discounted bills	323	0.34	396	0.52
Account receivable held for investment	15,626	16.56	3,316	4.35
Held-to-maturity investments	5,303	5.62	4,424	5.80
Financial assets held under resale agreements	5,243	5.55	8,532	11.19
Balances with central banks	3,785	4.01	3,334	4.37
Available-for-sale financial assets	3,007	3.19	3,139	4.12
Due from banks and other financial institutions	2,024	2.15	1,951	2.56
Placements with banks and other financial institutions	706	0.75	975	1.28
Financial assets designated at fair value through profit or loss	396	0.42	482	0.63
Total	94,362	100.00	76,253	100.00

2. Interest expense

(Unit: RMB1 million)

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits taken	27,904	57.99	23,209	62.14
Due to banks and other financial institutions	16,228	33.72	10,247	27.44
Placements from banks and other financial institutions	1,881	3.91	1,570	4.20
Repurchase agreements	1,197	2.49	1,835	4.91
Debt obligations payable	767	1.59	423	1.13
Others	144	0.30	67	0.18
Total	48,121	100.00	37,351	100.00

3. Fee and commission income

(Unit: RMB1 million)

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Wealth management service	2,299	26.48	2,157	31.44
Bank card service	1,897	21.85	1,074	15.65
Agency business	1,634	18.82	1,471	21.44
Credit commitments	1,360	15.67	992	14.46
Custody and other fiduciary services	972	11.20	489	7.13
Leasing service	279	3.22	48	0.70
Settlement and clearing business	41	0.47	45	0.65
Consulting service	35	0.40	122	1.78
Others	164	1.89	463	6.75
Total	8,681	100.00	6,861	100.00

4. Operation and administrative expenses

(Unit: RMB1 million)

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Staff remuneration and welfare	11,030	53.49	8,906	50.59
Business expenses	7,115	34.50	6,525	37.07
Depreciation and amortization	2,477	12.01	2,173	12.34
Total	20,622	100.00	17,604	100.00

5. Income tax expenses

(Unit: RMB1 million)

Item	2014	2013
Pre-tax profit	24,003	20,705
Income tax at statutory tax rate of 25%	6,001	5,176
Adjustment of current-period income tax during previous years	—	4
Plus: Tax effect of non-deductible expense	882	727
Less: Tax effect of tax-exempt income	903	713
Total	5,980	5,194

v. Analysis of assets

1. Loan extensions

(1) Loan extensions by industry

(Unit: RMB1 million)

Industry	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Manufacturing	212,005	22.55	212,017	25.75
Wholesale and retail	138,005	14.68	128,655	15.63
Leasing and commercial services	89,815	9.56	64,265	7.81
Real estate	76,170	8.10	71,924	8.74
Construction	73,448	7.81	61,471	7.47
Transportation, storage and postal services	49,794	5.30	42,622	5.18
Mining	28,441	3.04	25,122	3.05
Production and supply of electric power, heat, gas and water	22,966	2.44	22,561	2.74
Other corporate industries	66,222	7.04	46,510	5.65
Discounted bills	8,383	0.89	5,268	0.64
Personal loans	174,740	18.59	142,754	17.34
Total	939,989	100.00	823,169	100.00

During the reporting period, the Group earnestly implemented the country's macro-control policy and regulatory policies and requirements, strengthened management of risks arising from key areas and industries, actively promoted and channeled more credit resources to key areas, real economy and advantageous industries, and continued to adjust and control the loan proportion of overcapacity industries, real estate, bulk commodity trade and other high-risk industries vulnerable to the macro-control. The Group promoted the balanced growth and healthy development of industrial credit structure.

(2) Loan extensions by geographical area

(Unit: RMB1 million)

Geographical area	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Northern and Northeastern China	333,331	35.46	289,957	35.22
Eastern China	269,904	28.71	245,089	29.77
Southern and Central China	203,794	21.68	167,916	20.40
Western China	132,960	14.15	120,207	14.61
Total	939,989	100.00	823,169	100.00

(3) Particulars of top 10 borrowers

(Unit: RMB1 million)

	Balance	Percentage (%)
Loans to top 10 customers	23,749	2.53

During the reporting period, the Group strictly controlled the loan concentration risk. The total balance of top 10 borrowers amounted to RMB23,749 million, accounting for 2.53% of total loans and 17.93% of net capital at the end of the period, respectively, which were controlled within the regulatory requirements.

(4) Classification of loan guarantee methods and percentages

(Unit: RMB1 million)

Guarantee method	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Unsecured loans	133,136	14.16	120,630	14.66
Guaranteed loans	299,161	31.83	268,952	32.67
Collateral loans	507,692	54.01	433,587	52.67
– Mortgage loans	394,674	41.99	335,152	40.71
– Pledge loans	113,018	12.02	98,435	11.96
Total	939,989	100.00	823,169	100.00

During the reporting period, the Group continuously improved loan guarantee structure and attached importance to the increase of collaterals to mitigate loan risks. The percentage of mortgage and pledge loans further increased by 1.34 percentage points over the end of the previous year.

2. Major loans and interest rates**(1) Major loans and interest rates by business type**

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Corporate loans	716,574	48,930	6.83
Retail loans	157,181	9,342	5.94
Total	873,755	58,272	6.67

Note: According to the *Notice of China Banking Regulatory Commission on 2014 Offsite Regulatory Statements* and other relevant regulations, the loans on which interest has ceased to accrue shall not be included in the interest-generating assets, and the average balance of loans excludes the loans on which interest has ceased to accrue (the same hereinafter).

(2) Major loans and interest rates by term

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
General short-term loans	440,197	28,514	6.48
Medium and long-term loans	433,558	29,758	6.86
Total	873,755	58,272	6.67

Note: General short-term loans include discounted bills.

3. Financial assets held under resale agreements

(Unit: RMB1 million)

Item	End of 2014		End of 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	25,299	20.55	38,072	24.55
Bills	97,837	79.45	117,022	75.45
Total	123,136	100.00	155,094	100.00

Note: According to the provisions of the *Notice on Regulating Interbank Business of Financial Institutions* (Y.F. [2014] No. 127), the Group has recognized the transactions with asset beneficiary power as the subject matter into the investment with receivables instead of financial assets held under resale agreements and also reconciled the financial statement data for the comparable period.

vi. Analysis of liabilities**1. Due to customers**

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Corporate demand deposits	362,319	2,928	0.81
Corporate time deposits	653,176	20,518	3.14
Savings demand deposits	66,848	213	0.32
Savings time deposits	130,969	4,245	3.24
Total	1,213,312	27,904	2.30

2. Financial assets sold under repurchase agreements

(Unit: RMB1 million)

Item	End of 2014		End of 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	40,072	99.68	59,669	99.64
Bills	130	0.32	215	0.36
Total	40,202	100.00	59,884	100.00

3. Due to banks and other financial institutions

(Unit: RMB1 million)

Item	End of 2014		End of 2013	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to domestic banks	138,056	48.55	177,377	63.58
Due to overseas banks	19,837	6.98	7,911	2.83
Due to other domestic financial institutions	126,447	44.47	93,698	33.59
Total	284,340	100.00	278,986	100.00

vii. Determination of fair value and items related to fair value measurement

During the reporting period, the Company measured held-for-trading bonds and available-for-sale bonds at fair value, which were determined by means of quotation, transaction price or yield curve. The yield curve published by China Government Securities Depository Trust & Clearing Co., Ltd. was used as the RMB-denominated bond yield curve, and the yield curve provided by the Bloomberg system was adopted as the foreign currency-denominated bond yield curve.

Items related to Fair Value Measurement¹

(Unit: RMB1 million)

Item	At the beginning of the period	Gain/(loss) on changes in fair value during the period	Accumulated changes at fair value through equity	Provision for impairment during the period	At the end of the period
Financial assets designated at fair value through profit or loss	8,699	99	–	–	9,066
Derivative financial assets	531	94	–	–	625
Available-for-sale financial assets	65,134	–	81	–	63,366
Total financial assets	74,364	193	81	–	73,057
Financial liabilities ²	545	-11	–	–	556

Notes:

1. There is no necessary articulation in the table.

2. Financial liabilities include derivative financial liabilities.

viii. Analysis of core competitiveness

In the increasingly fierce competition environment during the reporting period, the Company strengthened reform and innovation, accelerated business transformation, intensified standardized operation, improved service quality and effectiveness, and continuously stepped up core competence to further improve development quality and business performance. The Company was among the top 100 in terms of both total assets and tier-1 capital in the Top 1000 World Banks published by The Banker magazine of the United Kingdom in July 2014.

1. Continuously deepen reform and innovation and gain more development momentum

The Company set up a reform leading group to coordinate reform work, and formulated and implemented the *Hua Xia Bank Reform Plan* to drive its development by reform and innovation. Corporate governance mechanism was further improved, reform of such business operation systems as wealth management business division system and inter-bank business exclusive operation system went ahead smoothly, and the credit card center has obtained the financial license. The Company accelerated Basel II&III project implementation, issued RMB10 billion of tier-2 capital bonds, and successfully issued RMB1 billion of financial bonds abroad. The marketing mechanism was continuously popularized, the mechanism of differentiated management of branches was gradually improved, and various reforms were pushed ahead steadily, bringing new driving force for the Bank's development.

2. Constantly push forward structural adjustment and steadily improve profitability

The Company enhanced the management of resource allocation, and channeled resources to the business and branches with good business performance and low costs. It intensified the management of comprehensive budget and pricing and strictly controlled fund costs. Customer structure kept improving, asset and liability structure was steadily getting better, and the loan structure met the regulatory requirements of "no less than two thresholds". The Company strengthened the organizing of corporate and personal deposits and witnessed steady growth of general deposits. Besides, it implemented the cost reduction and efficiency improvement, and continuously ameliorated cost and income structure. Return on assets and return on equity both increased.

3. Gradually deepen comprehensive risk management and enhance risk management and control capability

The Company implemented the comprehensive risk management organization framework improvement project, and planned on a risk management system covering three major risks, i.e. credit risk, market risk and operational risk, as well as each single risk. The Company enhanced the reputational risk management and innovative business risk control, implemented the consolidated comprehensive risk management, streamlined and standardized risk control process, defined the risk management responsibilities of the Head Office, branches at various levels and all business lines, and ensured the consistency of risk management framework throughout the Bank.

4. Attach importance to quality and effectiveness of "Hua Xia Service" and start to improve the brand value

Upholding the "honest, high efficient, serving and aggressive" corporate culture, the Company built up the concept of grand services, promoted "Hua Xia Service" intensively and extensively and kept deepening customer services. Following the market trend and customer demand, the Company successively launched such customized products as Hua Xia Le Ye Card and salary card. It strengthened international cooperation on green credits and actively promoted green finance. In line with the Beijing, Tianjin and Hebei coordinated development strategy, the Company issued ETC card and Beijing, Tianjin and Hebei coordinated development card, and provided transitional services for relocated enterprises. The Company implemented the inclusive finance requirements, advanced the construction of outlets such as specialized sub-branches and community sub-branches, improved the financial services for the elderly and the disabled and the extended services, and kept improving customer experience.

5. Fully implement the strategy of “SME Financial Service Provider” and preliminarily establish the advantages of SME financial services

The Company continuously enriched the strategic implications of “SME Financial Service Provider”, improved policies and measures, and promoted the segmentation management of market, customer and product and multi-level services. It innovated in the loan term and repayment method, launched such products as annual examination-based loans for small and micro enterprises, and reduced the financing costs of small enterprises. It also widened the scope of “fee reduction and interest concession” for small and micro enterprises, and alleviated financing difficulties and reduced financing costs for these enterprises. The Company was the first in the industry to launch the “platform finance” business mode. Relying on its own payment & financing system (CPM), the Company developed small and micro enterprise customers in batches based on platform customers, provided a full range of electronic financial services and preliminarily established the advantages of financial services for small enterprises.

ix. Analysis of investments

1. Outward equity investments

(1) Holding in other listed companies

(Unit: RMB1 million)

Stock code	Stock abbreviation	Initial investment	Shareholding proportion (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
V	Visa Inc.	1	0.0003	1	0.02	–	Available-for-sale financial assets	Membership fees converted to shares

(2) Holdings in unlisted financial corporations and companies to be listed

(Unit: RMB1 million)

Name	Initial investment	Number of shares held (1 million shares)	Shareholding proportion (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
China UnionPay Co., Ltd	81	62.50	2.13	81	2.81	–	Available-for-sale financial assets	Own fund
Daxing Hua Xia Village Bank Co., Ltd.	100	100	80	100	–	–	Long-term equity investment	Own fund
Kunming Chenggong Hua Xia Village Bank Co., Ltd.	35	35	70	35	–	–	Long-term equity investment	Own fund
Sichuan Jiangyou Hua Xia Village Bank Co., Ltd.	35	35	70	35	–	–	Long-term equity investment	Own fund
Huaxia Financial Leasing Co., Ltd.	2,460	2,460	82	2,460	–	–	Long-term equity investment	Own fund

Note: The cost method was adopted for accounting of the Group's equity investments above. Except actual payments upon investment or announced but unpaid cash dividends/profits in consideration, cash dividends/profits announced by investees for distribution were recognized as return on investment into current profit or loss.

2. Analysis of major subsidiaries and equity participation companies

(1) Daxing Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB125 million started operation in December 2010, in which the Company holds an 80% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB661,717,400 and RMB134,820,300 respectively. The deposit balance decreased by 11.18% year on year to RMB514,448,400; the loan balance decreased by 18.42% year on year to RMB347,702,100. During the reporting period, the bank generated a net profit of RMB7,830,600 thanks to good business growth.

(2) Kunming Chenggong Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB50 million started operation in August 2011, in which the Company holds a 70% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB386,229,700 and RMB53,169,300 respectively. The deposit balance increased by 8.41% year on year to RMB322,478,600; the loan balance rose by 3.23% year on year to RMB284,518,000. During the reporting period, the bank generated a net profit of RMB3,114,800 thanks to good business growth.

(3) Sichuan Jiangyou Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB50 million started operation in December 2011, in which the Company holds a 70% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB609,460,400 and RMB60,142,500 respectively. The deposit balance increased by 13.27% year on year to RMB484,846,800; the loan balance rose by 48.23% year on year to RMB400,762,100. During the reporting period, the bank generated a net profit of RMB6,827,900 thanks to good business growth.

(4) Huaxia Financial Leasing Co., Ltd.

The company with a registered capital of RMB3 billion started operation in May 2013, in which the Company holds an 82% stake. At the end of the reporting period, the company's total assets, total liabilities and net assets were RMB27,441 million, RMB24,219 million and RMB3,222 million respectively. The company generated a net profit of RMB211 million thanks to good business growth.

x. Special purpose vehicles controlled by the Company

Not applicable.

xi. Business review

1. Corporate banking

During the reporting period, the corporate banking line actively responded to the market changes, strived for innovative development, continuously improved service capability and efficiency and achieved remarkable results.

Corporate deposits were effectively organized in a bid to reduce costs and improve efficiency. Thanks to the continuous and steady withdrawal of high-cost funds, at the end of the reporting period, the Company recorded corporate deposits of RMB1,062,958 million, an increase of RMB90,177 million or 9.27% compared with last year; average daily corporate deposits reached RMB1,014,037 million, up RMB112,360 million or 12.46%.

The Company deeply implemented the strategy of “SME Financial Service Provider”, continuously expanded customer groups and consolidated customer base. It continued making efforts to promote the three modes such as longitudinal chain-based development, horizontal sector development and fund source development, and realized the development of customers in batches. The Company introduced the “list-based” marketing for key customers, set up a cross-department marketing team, provided integrated financial services, promoted the comprehensive cooperation and in-depth development, and developed key customers into the platform for development of customers in batches. The Company kept improving fiscal and financial services and was qualified for banking agency collection for non-tax items under central finance. At the end of the reporting period, the Company’s corporate customers numbered 319,200, an increase of 35,300 or 12.44% over the beginning of the year. The average daily deposits of key customers developed by the Company through list-based marketing rose by 26.09% over the previous year.

The Company devoted great energies to the popularization and use of applicable products in line with market changes and customer needs. It developed such products as Project Express and Commercial Factoring Express, launched the industrial financial brand of Auto Quan Lian Tong, and improved the products including bill pool, legal entity account overdraft and receivables pool financing. The Company made efforts to promote the transformation of prosperous and less cyclical industries, including automobile, building, leasing, health, logistics and tourism. During the reporting period, more than RMB1,200 billion of key corporate banking products were put into use, including over RMB500 billion worth of supply chain finance business, a year-on-year increase of nearly 30%. The Company was awarded the honors such as the “Best Auto Finance Innovation Bank in China in 2014” conferred by the *Moneyweek* and the “Best Supply Chain Finance Innovation Bank in 2014” by *Hua Xia Times*.

The Company energetically developed the green credit on-lending of the World Bank, French Development Agency and other foreign governments. The Company launched the energy performance contracting (EPC) financing and the asset securitization business based on the future right to earnings under the EPC, drafted a plan for green credit financing service, and made efforts to develop four major green credit services, namely energy efficiency financing, clean energy financing, environmental protection financing and green equipment supply chain financing. At the end of the reporting period, the Company granted green credit on-lending of foreign governments of RMB3.24 billion for 42 projects of 32 enterprises, saving 1,751,400 tons of standard coal, reducing 3,044,900 tons of carbon dioxide emission, and benefiting 15 provinces and municipalities, such as Beijing, Hebei, Shanxi and Henan.

International banking showed a robust growth. The growth of international settlement volume was 16 percentage points higher than that of the country's imports and exports, and topped USD120 billion. The customer base of international banking was further enlarged with over 17,000 international banking customers and over 8,000 trade finance customers increasing by 17.94% year on year. The Company boasted high quality of trade finance assets and a presence of over 1,478 correspondent banks in 330 cities of 115 countries and regions in the five continents. During the reporting period, the Company made efforts to develop knockout products including domestic L/C, forfeiting and T+N exchange trading, further diversifying and improving the international banking product mix. The number of "Huanqiu Zhiying" international banking serial contained nearly 100 products in nine major categories, effectively promoting the customer marketing and business growth. The Company won the award of "2014 International Business Bank with Excellent Competitiveness" by the *China Business Journal*.

2. Small enterprise business

During the reporting period, the Company was aligned with the changes in market demand, strengthened innovative business R&D and application, accelerated transformation of business development mode and improved small enterprise service and business quality. At the end of the reporting period, there were more than 260,000 and 22,900 small enterprise customers and small enterprise borrowers; the balance of small enterprise loans reached RMB206,547 million, with a growth higher than a year earlier and a growth rate faster than that of the entire loans, fulfilling the target of "no less than two thresholds". The balance proportion added by two percentage points compared with the year beginning.

The Company continuously enriched the "Dragon Boat Plan", an exclusive financial service brand for small enterprises, and developed the unique product mix with small, quick and flexible features for small and micro enterprises. At the end of the reporting period, the Company had launched nine online products, including small enterprise internet loan, internet loan-electronic order financing and internet loan-POS merchant financing, as well as 10 offline products, including revolving loan, annual examination-based loan for small and micro enterprises and debt service loan with a grace period.

The Company actively rose to the internet finance challenges, accommodated to the platform economic development, and connected its independently developed payment and financing system to various platform customer business management systems. It was the first one of the industry to launch the "Platform Finance" business mode, providing platform customers and their upstream and downstream and peripheral small and micro enterprise customers with such financial services as online payment, financing and cash management. At the end of the reporting period, the "platform finance" business mode had been quickly promoted among core enterprises, bulk commodity markets and business circles; the number of online platform customers and small enterprise customers reached 353 and 15,906, with outstanding loans of RMB3,393 million. After the business was introduced, the accumulated transaction volume reached 467,400, with an accumulated transaction value of RMB20,328 million; a total of 25,900 loans involving RMB13,021 million were granted accumulatively, averaging RMB502,800 each; 33,600 loans worth RMB9,628 million were repaid, averaging RMB286,700 each, representing the "small, rapid and flexible" advantages.

The Company continuously furthered the building of the exclusive mechanism for small enterprises. During the reporting period, 33 tier-1 branches and 16 tier-2 branches established regional offices of small and medium enterprise credit departments, and small enterprise exclusive service network had basically covered the whole Bank; Shaoxing and Changzhou branches with small enterprise service features achieved a remarkable progress in development of marketing mechanism, and the “Hua Xia Annual Examination-based Product” of Shaoxing Branch was awarded one of the top 10 financial products serving small and micro enterprises in the second selection of Zhejiang banking industry; the Company urged six tier-1 branches, namely Hangzhou, Shanghai, Chengdu, Qingdao, Suzhou and Wuxi branches, to steadily improve their marketing mechanism, and further spread the initiative to nine tier-1 branches, namely Beijing, Nanjing, Jinan, Kunming, Shenzhen, Guangzhou, Wuhan, Chongqing and Shijiazhuang branches. At the end of the reporting period, 50 integrated sub-branches had been transformed into the service providers for small enterprises and individual customers.

3. Personal banking

During the reporting period, the Company made great efforts to enhance core competitiveness in personal banking, strengthened customer service capability and kept improving personal banking support for the whole Bank's development. At the end of the reporting period, the balance of the Company's personal deposits (including demand savings deposits, time savings deposits and personal structured deposits) reached RMB238,937 million, an increase of RMB35,430 million or 17.41% over the previous year; average daily personal deposits stood at RMB197,502 million, an increase of RMB33,930 million or 20.74%.

In respect of personal loan business, the Company paid attention to customers' consumption needs, aiming at actively pushing forward residents' consumption expansion and upgrade, improving customers' living standard and promoting the improvement of economic quality and efficiency. Its three business sectors, i.e. dwelling, working and living, have been highly accepted by the market. The Company improved the comprehensive contribution and scaled up credit assets by changing the development mode, upgrading business process, improving service management, building marketing platform and strengthening product innovation and popularization. At the end of the reporting period, the balance of personal loans of the Company reached RMB174,365 million, an increase of RMB31,924 million or 22.41% over the previous year.

The Company continuously promoted the development of personal wealth management business, and pushed forward the development of a one-stop financial service platform by researching and developing unique products, improving management process, intensifying compliant marketing, enhancing professionalism of teams and expanding service channels. Personal wealth management business developed in a sound and sustainable manner. At the end of the reporting period, sales volume of personal wealth management products arrived at RMB1,013,841 million, an increase of 51.39% year on year. Personal wealth management business had a balance of RMB162,123 million. During the reporting period, 1,139 closed-end wealth management products were honored with an amount of RMB504,313 million, up 39.28% year on year. All the products were honored normally and stably.

The Company won many awards, including the “2013 Best Bank Wealth Management Product in China” conferred by the *Shanghai Securities News*, the “2013 Golden Bull Bank Wealth Management Product” by the *China Securities Journal*, the “Chinese Best Bank Wealth Management Brand”, the “Best Open-ended Bank Wealth Management Products in China” and the “Best Stable Return Bank Wealth Management Product in China” by the *Securities Times*, the “2014 Golden Shell Award-Best Asset Management Bank” by the *21st Century Business Herald*, and the “2014 Best Wealth Management Bank” by the eastmoney.com.

Hua Xia debit card business sustained rapid development. At the end of the reporting period, the Company accumulatively issued 27,926,300 Hua Xia debit cards. During the reporting period, the Company made great efforts to promote financial IC debit cards, with the new financial IC debit cards accounting for 92.65% of total new debit cards; while Beijing, Tianjin, Guangzhou, Shijiazhuang, Jinan and Zhengzhou branches issued Hua Xia ETC card series, Chongqing, Shenyang and Nanchang branches launched the ETC business, making a breakthrough of such business in Northeast China and Southwest China. The issuance of Hua Xia ETC debit cards maintained rapid growth by 45.30% year on year; in light of Beijing, Tianjin and Hebei coordinated development strategy, and the demands and characteristics of personal customer services after integration of Beijing, Tianjin and Hebei, the Company launched the Beijing, Tianjin and Hebei coordinated development card and provided “seven-in-one” services for customers of the three cities, which have been highly recognized by the market.

Adhering to the business concept of “quality development and profitable growth” for its credit card business, the Company further optimized product structure, achieved sustained and rapid business development and broke even for the first time. In respect of product innovation, while improving product structure, increasing the proportion of profitable products and intensifying the issuance of high-end fee-based cards and other high-end cards, the Company further exploited the private car owner markets, creatively launched Hua Xia Travel credit card products, as well as the financial IC card products, Hua Xia Credit Card WeChat banking and other mobile financial products measuring up to PBOC3.0 standards. At the end of the reporting period, 5.89 million Hua Xia credit cards were issued accumulatively. During the reporting period, the Company’s credit card business won the 2014 Best Product Development Award conferred by MasterCard.

The Company continuously increased input into self-service banking and POS merchant business, and pushed forward channel product innovation and channel construction. At the end of the reporting period, the Bank had 1,016 self-service banking outlets, an increase of 152 in the year. It accumulatively installed 5,369 self-service equipments, an increase of 807 in the year.

4. Financial market business

During the reporting period, the Company actively responded to the market changes by strengthening the study of macro-economic situation and operation trend of bond market. It adjusted investment and trading strategies on its own initiative, and seized the market opportunities. While maintaining the relative stability of total scale of bonds, the Company appropriately adjusted bond duration and position structure, and greatly improved the return on bond investment. The Company further participated in the market and expanded trading volume by currency trading, bond trading, foreign exchange trading and commodity trading. In 2014, the Company completed 7,278 inter-bank lending transactions and pledged repurchase transactions, amounting to RMB7,020 billion. In 2014, the accumulative amount of RMB and foreign-currency treasury transactions reached RMB1,745,191 million.

The Company formulated the guidelines on underwriting of bond financing instruments to clarify the priorities of work, and closely followed and quickly responded to the regulatory policy changes and market developments. It fully grasped the characteristics of enterprises and their industries, and adopted various underwriting methods, including exclusive lead underwriting, co-lead underwriting and financial advisory, to expand market share and drive the growth of underwriting business. During the reporting period, the Company completed the issuance of RMB152.18 billion, an increase of 80.80% over the previous year.

Wealth management business developed quickly. At the end of the reporting period, the balance of institutional wealth management products reached RMB211,489 million, up 54.29%.

The Company won the “Second Prize for Gold Market Statistics and Monitoring Work in 2013-2014” conferred by Shanghai Head Office of the People’s Bank of China, and the two awards of “2013 Best Bidding and Market Making Institution in Inter-bank Foreign Exchange Market” and the “2013 Market Making Institution with Biggest Advance in Trading” by China Foreign Exchange Trade System. In the selection of excellent investment banks in China organized by the *Securities Times* in 2014, the Company won four awards, i.e. “Most Competitive Investment Bank in China in 2014”, the “Best Bond Underwriting Bank in China in 2014”, the “Best Private Equity Bond Project in China in 2014” and the “Best Short-term Bond Project in China in 2014”.

5. E-banking

During the reporting period, the Company intensified the promotion of e-banking products and innovation in internet finance products, took full advantages of internet banking and mobile banking to serve customers, preliminarily set up the “Smart E-banking” service system and accelerated the development of its e-banking into a “second bank”.

Relying on “Hua Xia Dragon Network” internet banking and the “Xiao Long Ren” mobile banking as well as the portal of internet, the Company served customers by its four competitive product lines, i.e. internet payment, cash management, investment and wealth management and online financing. It conducted the internet O2O integrated marketing and cross-industry platform cross marketing, and fully leveraged on the internet to obtain customers and provide services. Following the guidelines of marking customers dare and be ready and willing to use its products, the Company strengthened innovation in e-banking products, and preliminarily established the “Smart E-banking” service system comprising smart internet banking, smart mobile banking, smart WeChat banking, smart customer service, smart website and smart direct-marketing banking. In the customer-oriented era of Bank 3.0, the Company optimized mobile banking display forms and business process and intensified smart banking features focusing on the customer business scenarios, based on the “ultimate experience” internet thinking and “minimal finance” design concept. The Company actively developed internet finance, launched direct-marketing banking, realized the full-process online account opening and product purchase, and created an open internet integrated financial service platform. During the reporting period, the Company won six awards, including the “Most Competitive Mobile Finance” conferred by China Financial Certification Authority (CFCA) and the “Annual Innovative E-Banking” by Sina Finance.

During the reporting period, the number of the Company’s corporate internet banking customers reached 160,900, an increase of 18.67% over the previous year; the number of personal internet banking customers reached 3,154,000, up 39.21%; the number of mobile banking customers reached 1,588,900; the number of e-banking transactions reached 99,052,600, up 101.14%; the amount of e-banking transactions stood at RMB15.44 trillion, up 45.57%. The growth rate of the volume and value of e-banking transactions was faster than that of customers, indicating an obvious improvement of customer quality.

II. DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE COMPANY'S FUTURE DEVELOPMENT

i. Industry competitive pattern and development trend

Presently, economic development under the new normal shows many new circumstances and new characteristics different from the past. Economic growth rate is shifting from high speed to medium to high speed; economic structure is shifting from the focus on increase of output and expansion of capacity to the in-depth improvement of adjusting existing capacity and optimizing increased capacity; the economic development momentum is shifting from traditional growth sources to new growth sources; commercial banks are facing more complicated environment, and the development conditions of the banking industry have experienced new changes, posing higher requirements on the operation and management, risk control and business innovation capability of commercial banks. Accordingly, commercial banks must accommodate to them and accelerate transformation.

1. The growth of the real economy will slow down and banks' asset quality management will be more difficult

With the slowdown of the growth of the real economy, the macro-economic support for asset growth of banks will decrease, and the high growth of credit asset scale of commercial banks will come to an end. Affected by such factors as economic downturn and structural adjustment, many risks that have been masked by the high economic growth for a long term will emerge and be intertwined. These risks are complicated, volatile and highly correlated. Non-performing assets of the banking industry will keep rebounding, posing severe challenges to asset quality. Commercial banks should make unremitting efforts to strengthen risk management and control.

2. Costs tend to go up and it will be more difficult for banks to organize liability business

Interest rate liberalization will quicken up, customers' price comparison and bargaining awareness will increase, fund bidding of public finance departments and other quality customers will gradually become mainstream, and banks will be in a dilemma for cost control and scale expansion; deposit insurance system is to be implemented, customers' assets will be decentralized and customers will select deposit institutions more prudently; with the launch of deposit deviation supervision policy, the undulating growth mode of striving for increasing balance will be unsustainable; the emerging industries, typically internet finance, will develop rapidly, and the lift of ban on private banks and continuous innovations in financial inter-bank business will impose an increasing impact on the traditional liability business and organizing mode of commercial banks. The traditional methods of relationship-based marketing and derivative deposits will be difficult to organize more effective deposits. Hence, banks must transform their marketing service modes as early as practicable.

3. Regulatory policy requirements change and banks' profit growth will become more difficult

The slowdown of profit growth has become a new normal, and the gradually narrowing of interest spread has been inevitable. The central bank is likely to lower the benchmark interest rates further. Purely relying on the spread of deposit rates and loan rates has been unable to sustain the profit growth room. "Loose control and strict supervision" will become an inevitable trend of supervision, capital constraint and market constraint will further restrict banks' operation development, and regulatory requirements on operation and management will be more rigorous. Emerging business and fee-based business will develop more difficultly and have less support for profit growth. The continuous expansion of allowances and write-off scale will directly crowd out the profit room.

4. Financial disintermediation will speed up and higher requirements will be set out for the innovative development of banks

The pace of financial disintermediation will quicken, enterprises' financing modes will experience pronounced changes, and the proportion of loans in China's total social financing will continuously decrease. The integration of financial market will be continuously deepened, customers' diversified financial demands will increase, and financial innovation will become more active. The original segmented operation restrictions will be gradually alleviated and removed, and business cooperation between different financial institutions, including banks and insurers, securities firms and insurers, as well as banks and trust companies, will be continuously strengthened. The stock market and the bond market will develop quickly, and the traditional business development room of banks will be crowded out. The banking industry has accelerated the transformative development and innovative services, and competition for markets and customers will be fiercer.

5. The booming internet finance will pose higher requirements on the basic management of banks

Currently, third party payment companies, telecommunication operators, internet companies and e-business enterprises continuously innovate in technical and business modes, enrich service methods, and penetrate into traditional banking business in many respects. The traditional intermediary payment functions of banks are affected unprecedentedly, and the core services such as bank credit, cash management, asset management and supply chain finance are also challenged. In 2015, internet finance enterprises will have more robust development, and traditional commercial banks will accelerate the integration with internet. Competition in internet finance will become increasingly fierce. In the face of the impact and incentive of internet finance, the basic management of banks seems to be more important.

ii. The Company's development strategies

2015 will be crucial for the Company to implement its *Development Program 2013-2016*. The Company will continue to firmly implement the strategy of "SME Financial Service Provider", quicken the business transformation, and deepen structural adjustment. It will endeavor to reduce cost and increase efficiency, professionalize business, and cultivate business brand and unique operation. It will refine management, develop "Hua Xia Service" brand, and become a modern commercial bank with distinct brand features.

During the planning period, the corporate banking will focus on the strategy of “SME Financial Service Provider”. While solidifying traditional corporate businesses such as trade finance, the Company will boost the development of emerging business, expand fee-based business, strive to enhance the earning capacity and profit contribution of financial market, asset management, asset custody and credit card business, strengthen comprehensive customer service capability, and drive the rapid development of traditional banking business. In respect of retail banking, aiming to become a “public wealth management bank”, the Company will expand in major markets such as household savings, public wealth management and consumer finance, and enhance innovative service capability and profitability. In respect of e-banking business, the Company will leverage on the two mobile banking platforms, i.e. “Hua Xia Dragon Network” internet banking and “Xiao Long Ren” mobile banking, to accelerate the cultivation of “Second Bank”, speed up the development of direct-marketing banking, and continuously satisfy the individualized and diversified consumption needs of customers. In respect of institution development, the Company will rely on existing branch network in developed regions, and give priority to business development in medium cities with due consideration to the central and western regions.

iii. Operating plan

In 2015, according to the requirements of the Eighteenth National Congress of the CPC, the Third and Fourth Plenary Sessions of the Eighteenth CPC Central Committee and the Central Economic Work Conference and the objectives of the development program, the Company will fully deepen the strategy of “SME Financial Service Provider”, constantly cultivate the “Hua Xia Service” brand, intensify reform and innovation, expedite operation transformation and ensure all tasks of the year are accomplished.

1. Deepen reform and innovation and promote business development

- Continuously deepen the reform of operation system. The Company will fully integrate inter-bank business, introduce exclusive operation management and improve its contribution to profit growth. The Company will improve the wealth management business management mechanism, intensify compliant operation management and enhance customer service capability. The Company will speed up the establishment of exclusive operation institutions of credit card business, enrich product and service functions and increase income sources.

- Steadily push forward the construction of marketing mechanism. The Company will improve marketing measures, and promote the segmentation management and multi-level services of markets, customers and products. The Company will intensify the regional and distinctive development of branches, keep innovating in customer development, product R&D, marketing support and team building, and cultivate professional and unique competitive edge.

- Deepen the innovation in management and operation mechanism. The Company will actively push forward the construction of Basel II&III projects, and enhance the mechanism and ability to generate benefits with capital. The Company will accelerate the comprehensive risk management and ensure the smooth operation of comprehensive risk management system. It will also strengthen comprehensive budget management and regulate financial operation.

2. Deepen restructuring and improve profitability

– Improve liability structure. The Company will intensify the organization of deposit marketing and effectively link project reserve, customer development and product use to deposit growth. It will improve the capacity of operating outlets depending on outlets and community services. The Company will reinforce basic services, including settlement, properly utilize funds across banks, groups, markets, cycles and products, and control interest costs.

– Improve business structure. The Company will push forward emerging business development and improve the contribution of inter-bank business, asset management, custody and credit card business. The Company will accelerate the development of small enterprise and e-banking business, give full play to the relative advantages of personal banking, and enhance the innovative service capability and profitability. The Company will implement the strategy of “Second Bank”, and effectively leverage on the two platforms of “Hua Xia Dragon Network” and “Xiao Long Ren” to meet the individualized and diversified demands of customers. The Company will improve the fund allocation efficiency and turnover rate by asset securitization, asset transfer and other means.

– Improve customer structure. The Company will fully exploit the financial demands of customers, improve services for small and medium accounts, settlement accounts and savings accounts, and solidify customer base. It will set up a marketing team, coordinate business lines, provide professional and integrated financial service solutions, and strengthen cooperation with customers in an all-round way.

3. Intensify standardized operation and improve risk management and control capability

– Strengthen credit risk management throughout the whole process. The Company will optimize and adjust credit structure, activate existing credits and properly utilize increased credits. Asset quality management and control will be made more prospective and proactive to maintain the stability of asset quality. The Company will strengthen the recovery and solving of troubled assets, manage to innovate in market-oriented methods and improve recovery and disposal efficiency and effect.

– Strengthen liquidity risk management. The Company will perform liquidity monitoring and stress testing, intensify emergency drilling and properly manage maturity match. It will strengthen market risk forecast, tracking and response, and improve the ability to accommodate to the adjustment of macro policy and changes in interest rates and exchange rates.

– Build long-acting internal control compliance mechanism. The Company will standardize the rules management system and keep improving business policies. And it will reinforce compliance culture cultivation and enhance the initiative and consciousness of all the employees in operation according to laws and regulations. Anti-money laundering management will also be strengthened.

– Ensure the safe and stable operation. The Company will strengthen the business continuity management and safe operation of information system, develop smart operation maintenance system, push forward standardized construction, reinforce data protection and standardize technical management. The Company will continuously assume a posture of high pressure on case prevention and security, establish tracking and supervision mechanism, strengthen routine inspection and special check, and strictly implement risk prevention and control measures.

4. Push forward the cultivation of “Hua Xia Service” brand and enhance comprehensive service capacity

– Enhance technical service and support capability. The Company will speed up technical innovation, intensify technical application and optimize process. The development of management information systems will be boosted to provide supportive service for development of the “Second Bank” information system.

– Enhance the ability to serve customers with products. The Company will devote great energies to the R&D of customer-centered and market-oriented competitive products. It will specially promote unique products, such as fund settlement and cash management, and actively enhance the innovative development of bills, e-banking and inter-bank cooperation products.

– Push forward the construction of outlet services. The Company will push forward the transformation of outlet business, quicken the pace of community sub-branch construction and small sub-branch transformation, and continuously improve the business modes of community outlets. The Company will improve nationwide institution layout in order, strengthen the fundamental management of institution setup and optimize outlet layout depending on existing institutions.

iv. Funds necessary for maintaining current business and completing ongoing investment projects

Not applicable.

v. Possible risks

China’s economy has shifted from rapid growth to smooth growth, restructuring, transformation and upgrade have been planned in a concentrated manner, and commercial banks will face more complicated business environment and spreading risks.

Due to economic downturn, structural adjustment and other factors, risks have exposed and spread. Various risks are complicated, volatile and highly correlative, posing more challenges to the asset quality management and control of the banking industry.

Second, interest rate liberalization is quickening up, which will result in the narrowing of interest spread and increase the difficulties in developing emerging business and fee-based business. Besides, the rigid demands for such costs as technique, institutions and staff are strong. All of these will drag profit growth.

Third, the emerging industries, typically internet finance, are developing quickly and causing a huge impact on the traditional liability business and organization form of commercial banks.

Fourth, market competition becomes increasingly fierce, and customer demands will be more individualized, unique and diversified, which require banks to accelerate transformative and innovative development and operate in compliance with laws and regulations.

III. BANKING DATA

i. Major financial and accounting data in the past three years

(Unit: RMB1 million)

Item	End of 2014	End of 2013	End of 2012
Total assets	1,851,628	1,672,447	1,488,860
Total Liabilities	1,749,529	1,586,428	1,414,137
Owner's equity attributable to equity holders of the listed company	101,458	85,420	74,694
Total deposits	1,303,216	1,177,592	1,036,000
Incl.: Corporate demand deposits	381,336	393,615	353,087
Corporate time deposits	445,784	377,330	338,777
Savings demand deposits	91,585	83,613	60,424
Savings time deposits	133,008	113,110	100,961
Other deposits	251,503	209,924	182,751
Total loans	939,989	823,169	720,168
Incl.: Pass loans	929,744	815,726	713,829
NPL	10,245	7,443	6,339
Placements from banks and other financial institutions	42,638	35,538	71,815
Allowance for impairment losses on loans	23,884	22,443	20,307

ii. Capital composition and its changes

1. Measured in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*

(Unit: RMB1 million)

Item	2014		2013	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated
1. Total capital, net	132,441	128,585	105,621	102,315
1.1 Core tier-1 capital	101,988	101,257	85,826	85,322
1.2 Core tier-1 capital deductions	1	2,630	–	2,630
1.3 Net core tier-1 capital	101,987	98,627	85,826	82,692
1.4 Other tier-1 capital	20	–	4	–
1.5 Other tier-1 capital deductions	–	–	–	–
1.6 Net tier-1 capital	102,007	98,627	85,830	82,692
1.7 Tier-2 capital	30,434	29,958	19,791	19,623
1.8 Tier-2 capital deductions	–	–	–	–
2. Credit risk weighted assets	1,107,853	1,081,929	988,581	977,130
3. Market risk weighted assets	6,018	6,018	6,665	6,665
4. Operational risk weighted assets	87,230	86,587	74,210	74,029
5. Total risk weighted assets	1,201,101	1,174,534	1,069,456	1,057,824
6. Core tier-1 CAR (%)	8.49	8.40	8.03	7.82
7. Tier-1 CAR (%)	8.49	8.40	8.03	7.82
8. CAR (%)	11.03	10.95	9.88	9.67
9. Capital instruments enjoying preferential policy during the transitional period: According to relevant provisions of the <i>Regulation Governing Capital of Commercial Banks (Provisional)</i> , ineligible tier-2 capital instruments issued by commercial banks prior to 12 September 2010 are entitled to the preferential policy, i.e. reduction at an annual rate of 10% from 1 January 2013. At the end of 2012, the Company's ineligible tier-2 capital had a book value of RMB8.4 billion, which should be reduced at an annual rate of 10% since 2013. During the reporting period, the includible amount of the Company's ineligible tier-2 capital instruments was RMB6.72 billion.				

Notes:

1. According to the relevant provisions of Articles 174 and 175 of the *Regulation Governing Capital of Commercial Banks (Provisional)* (CBRC No. 1 Decree in 2012), "commercial banks shall measure and disclose consolidated and unconsolidated CAR in light of the *Regulation Governing Capital Adequacy Ratio of Commercial Banks* and this Regulation during the transitional period for reaching the standards", and clarify relevant information disclosures. The above are the data and information relating to the consolidated and unconsolidated CARs measured according to the *Regulation Governing Capital of Commercial Banks (Provisional)*.

2. Net core tier-1 capital = Core tier-1 capital – core tier-1 capital deductions.

3. Net tier-1 capital = Net core tier-1 capital + other tier-1 capital – other tier-1 capital deductions.

4. Total capital, net = Net core tier-1 capital + tier-2 capital – tier-2 capital deductions.

5. The *Regulation Governing Capital of Commercial Banks (Provisional)* took effect as of 1 January 2013, so it was inapplicable in 2012.

2. Measured in accordance with the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*

(Unit: RMB1 million)

Item	2014		2013		2012
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated
Net capital	131,060	127,199	105,969	102,623	94,708
Incl.: Core capital	97,509	96,668	82,058	81,471	71,464
Core capital deduction items	–	1,315	–	1,315	–
Net core capital	97,509	95,353	82,058	80,156	71,464
Supplementary capital	34,031	33,641	24,881	24,752	24,202
Total deductions	480	3,110	970	3,600	958
Risk weighted assets and market risk capital adjustment	1,097,053	1,071,010	969,303	957,750	873,214
CAR (%)	11.95	11.88	10.93	10.72	10.85
Core CAR (%)	8.89	8.90	8.47	8.37	8.18

Notes:

1. According to the relevant provisions of Articles 174 and 175 of the *Regulation Governing Capital of Commercial Banks (Provisional)* (CBRC No. 1 Decree in 2012), “commercial banks shall measure and disclose consolidated and unconsolidated CAR in light of the *Regulation Governing Capital Adequacy Ratio of Commercial Banks* and this Regulation during the transitional period for reaching the standards”, and clarify relevant information disclosures. The above are the data and information relating to the consolidated and unconsolidated CARs measured according to the *Regulation Governing Capital Adequacy Ratio of Commercial Banks*.

2. Net core capital = Core capital – core capital deductions.

3. Net capital = Core capital + supplementary capital – total deductions.

3. According to the CBRC *Regulatory Requirements on the Disclosure of Capital Composition Information by Commercial Banks*, please refer to the special column of investor relations in www.hxb.com.cn, the Company’s website, for the details on major characteristics of capital composition and capital instruments of the Group.

iii. Major financial indicators in the past three years

Major indicator (%)		Regulatory standard	2014	2013	2012
Return on assets			1.02	0.98	0.94
Return on capital			19.16	19.30	18.46
NPL ratio			1.09	0.90	0.88
Loan-to-deposit ratio	RMB		69.95	69.11	68.62
	Foreign currency		97.90	103.09	106.20
	Total	≤75%	70.65	69.90	69.51
Asset liquidity ratio	RMB		46.76	30.63	33.95
	Foreign currency		70.50	56.63	50.44
Percentage of loans to single largest borrower		≤10%	4.55	5.59	6.23
Percentage of loans to top 10 borrowers		≤50%	17.93	23.84	27.38
Allowance for impairment losses on loans to non-performing loans			233.13	301.53	320.34
Allowance for impairment losses on loans to total loans			2.54	2.73	2.82
Cost-to-income ratio			37.57	38.93	39.95

Note:

Percentage of loans to single largest borrower = Total loans to the largest borrower/net capital * 100%

Percentage of loans to top 10 borrowers = Total loans to top 10 borrowers/net capital * 100%

During the reporting period and in 2013, net capital is measured according to the Regulation Governing Capital of Commercial Banks (Provisional) (CBRC No. 1 Decree in 2012); in 2012, net capital is measured according to the Regulation Governing Capital Adequacy Ratio of Commercial Banks (CBRC No. 11 Decree in 2007).

Migration ratios

Item (%)	2014	2013	2012
Pass loan migration ratio	2.82	2.88	1.83
Special-mention loan migration ratio	35.75	23.17	13.70
Substandard loan migration ratio	96.74	91.73	78.28
Doubtful loan migration ratio	26.75	27.65	23.40

Note: Migration ratios were calculated according to relevant rules of CBRC. Pass loan migration ratio = Downward migrating amount of pass loans at the beginning of the period/(balance of pass loans at the beginning of the period – decreased amount of pass loans during the period) × 100%; special-mention loan migration ratio = Downward migrating amount of special-mention loans at the beginning of the period/(balance of special-mention loans at the beginning of the period – decreased amount of special-mention loans during the period) × 100%; sub-standard loan migration ratio = Downward migrating amount of sub-standard loans at the beginning of the period/(balance of sub-standard loans at the beginning of the period – decreased amount of sub-standard loans during the period) × 100%; and doubtful loan migration ratio = Downward migrating amount of doubtful loans at the beginning of the period/(balance of doubtful loans at the beginning of the period – decreased amount of doubtful loans during the period) × 100%.

iv. Interest-generating assets, interest-bearing liabilities and average interest rates

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Interest-generating assets:			
Loans and advances to customers ¹	873,755	58,272	6.67
Balances with central banks	253,053	3,785	1.50
Peer assets	154,192	7,973	5.17
Bond investment	436,139	24,332	5.58
Total interest-generating assets	1,717,139	94,362	5.50
Interest-bearing liabilities:			
Deposits taken	1,213,312	27,904	2.30
Due to central banks	4,043	144	3.56
Peer liabilities	383,983	19,306	5.03
Debt obligations payable	14,358	767	5.34
Total interest-bearing liabilities	1,615,696	48,121	2.98

Note: 1. According to the *Notice of CBRC on 2014 Offsite Regulatory Statements* and other relevant regulations, the loans on which interest has ceased to accrue shall not be included in the interest-generating assets.

v. Hierarchical management and number and regional distribution of institutions during the reporting period

1. Overview of hierarchical management

The Company focuses on economically central cities while radiates to the whole country. It conducts the institution planning and setup, routine operation and internal management in accordance with the three-level organizational management system consisting of the Head Office, branches and sub-branches.

At the end of the reporting period, the Company had 34 tier-one branches and 590 outlets in 80 cities above the prefecture level including Beijing, Nanjing, Hangzhou, Shanghai, Ji'nan, Kunming, Shenzhen, Shenyang, Guangzhou, Wuhan, Chongqing, Chengdu, Xi'an, Urumqi, Dalian, Taiyuan, Qingdao, Wenzhou, Shijiazhuang, Fuzhou, Hohhot, Tianjin, Ningbo, Shaoxing, Nanning, Changzhou, Suzhou, Wuxi, Changsha, Hefei, Xiamen, Changchun, Zhengzhou and Nanchang. 52 outlets were newly established during the reporting period.

2. Branches

Institution	Business address	Number of outlets	Headcount	Asset size (RMB1 million)
Head Office	22 Jianguomennei Street, Dongcheng District, Beijing		1,462	836,985
Beijing Branch	11 Financial Street, Xicheng District, Beijing	59	2,365	296,296
Nanjing Branch	81 Zhongshan Road, Nanjing	35	1,496	118,695
Hangzhou Branch	73 Qingchun Road, Hangzhou	32	1,414	101,031
Shanghai Branch	256 Pudong South Road, Shanghai	28	996	69,555
Ji'nan Branch	138 Weier Road, Ji'nan	35	1,579	74,249
Kunming Branch	98 Weiyuan Road, Kunming	21	864	65,047
Shenzhen Branch	Nanguangjiejia Mansion, 3037 Shennan Middle Road, Futian District, Shenzhen	25	1,138	63,040
Shenyang Branch	51 Qingnian Street, Shenhe District, Shenyang	16	821	57,882
Guangzhou Branch	Nanyue Mansion, 13 Huaxia Road, Tianhe District, Guangzhou	21	1,197	95,643
Wuhan Branch	Huayin Mansion, 786 Minzhu Road, Wuchang District, Wuhan	21	1,134	64,648
Chongqing Branch	27 Jiangbeichengxi Street, Jiangbei District, Chongqing	20	771	81,733
Chengdu Branch	1 Hangkong Road, Wuhou District, Chengdu	20	826	55,907
Xi'an Branch	111 Chang'an North Road, Xi'an	14	559	23,126
Urumqi Branch	15 Dongfeng Road, Urumqi	9	359	16,574
Dalian Branch	25 Tongxing Street, Zhongshan District, Dalian	11	553	54,103
Qingdao Branch	5 Donghai West Road, Shinan District, Qingdao	20	910	42,502
Taiyuan Branch	113 Yingze Street, Taiyuan	19	1,032	57,315
Wenzhou Branch	Shenli Mansion, Chezhan Avenue, Wenzhou	15	626	45,418
Fuzhou Branch	Huaxia Mansion, 1 Gutian Zhilu, Gulou District, Fuzhou	12	501	23,741
Hohhot Branch	Capital Plaza, 1 Zhongshan West Road, Huimin District, Hohhot	11	704	25,830
Tianjin Branch	Tower E, Huanbohai Development Center, Zeng 9 Binshui Road, Hexi District, Tianjin	16	685	35,287

Institution	Business address	Number of outlets	Headcount	Asset size (RMB1 million)
Shijiazhuang Branch	48 Zhongshan West Road, Shijiazhuang	29	1,200	72,663
Ningbo Branch	366 Heyuan Road, Jiangdong District, Ningbo	9	493	36,548
Shaoxing Branch	260 Yan'an Road, Shaoxing	9	357	22,449
Nanning Branch	Tower B, Huarun Mansion, 136-2 Minzu Avenue, Nanning	10	493	21,600
Changzhou Branch	162 Heping North Road, Changzhou	11	404	24,172
Suzhou Branch	188 Xinghai Street, Suzhou Industrial Park, Suzhou	17	587	44,117
Wuxi Branch	105 Xinsheng Road, Chong'an District, Wuxi	15	505	33,481
Changsha Branch	Huameiou International Mansion, 389 Wuyi Road, Changsha	7	356	26,091
Hefei Branch	Building C, Wealth Plaza, 278 Suixi Road, Hefei	7	334	21,022
Xiamen Branch	Jianshe Keji Mansion, 62 Hubin South Road, Siming District, Xiamen	3	188	11,962
Changchun Branch	4888 Renmin Street, Nanguan District, Changchun	4	228	11,459
Zhengzhou Branch	29 Business Outer Ring Road, Zhengdong New District, Zhengzhou	5	318	20,055
Nanchang Branch	10 Binjiang Shoufu, Zhongshan West Road, Xihu District, Nanchang	4	202	18,037
Regional summarization adjustment				-842,876
Total		590	27,657	1,825,387

vi. Loan quality during the reporting period

1. Quality of loan assets

(Unit: RMB1 million)

Five-tier classification	Amount	Percentage (%)	Increase/decrease compared with the end of previous year (%)
Pass loans	905,513	96.33	12.71
Special-mention loans	24,231	2.58	97.1
Sub-standard loans	2,424	0.26	41.75
Doubtful loans	5,552	0.59	63.01
Loss loans	2,269	0.24	-2.49
Total	939,989	100.00	14.19

During the reporting period, the Group was under huge pressure of asset quality, as affected by the slowdown of domestic economic growth, structural adjustment and changes in growth modes. It actively and effectively responded to the changes in economic situation, kept improving credit direction and structure, intensify credit operation management and control, consolidate the management of credit business foundation, strengthened daily risk monitoring and early warning, emphasized the risk prevention and control for key fields and industries, enhanced troubled loan recovery and disposal, and maintained the stability of asset quality. At the end of the reporting period, the Group's NPL balance was RMB10,245 million, an increase of RMB2,802 million over the end of the previous year; NPL ratio increased by 0.19 percentage point to 1.09%; the balance of special-mention loans was RMB24,231 million, an increase of RMB11,937 million, with a percentage of 2.58%, up 1.09 percentage points.

2. Restructured loans and overdue loans

(Unit: RMB1 million)

Category	Balance at the beginning of the period	Balance at the end of the period	Percentage (%)
Restructured loans	24	3	0
Overdue loans	13,178	22,826	2.43

Note: Overdue loans include the loans with overdue principal or interest. If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

At the end of the reporting period, the balance of the Group's restructured loans amounted to RMB3 million, a decrease of RMB21 million from the end of previous year.

During the reporting period, due to economic downturn and structural adjustment, among others, potential credit risk was continuously released, some regional risk, industry risk and enterprise risk continuously emerged and accumulated. The balance and proportion of overdue loans of the Group went up slightly. At the end of the reporting period, the Group had outstanding overdue loans of RMB22,826 million, an increase of RMB9,648 million compared with the end of the previous year, accounting for 2.43 % of the total loans, up 0.83 percentage point.

vii. Charge and write-off of allowance for impairment losses on loans

(Unit: RMB1 million)

Item	End of 2014
Balance at the beginning of the year	22,443
Charge for the year	5,225
Recovery of loans and advances that had been written off	172
Less: Transfer-out caused by increase of discounted value	167
Less: Write-offs in the year	3,797
Transfer-in during the year	8
Balance at the end of the year	23,884

Methods used in charge of allowance for impairment losses on loans:

The Company assessed the impairment losses on all loans on the balance sheet date based on two methods: individual assessment and collective assessment.

As to the single loan with a large amount, the Company applied the individual assessment method to test the impairment. If an objective evidence could indicate the loan had impairment loss, the loss amount shall be measured at the difference between the book value of the loan and the discounted value of estimated future cash flows and allowance for impairment loss on loans would be set aside and recognized in the loss of the period; the solvency of the borrower, reasonable value of the collateral, compensatory ability of the guarantor and other factors shall be fully considered in the impairment testing.

The single loan with a small amount and unimpaired loan tested by the individual assessment shall be included in the loan portfolio with similar characteristics. Their impairment losses shall be assessed collectively, and corresponding allowance for the impairment losses shall be recognized in the profit or loss.

viii. Interest receivables and charge of allowance for bad debts

(Unit: RMB1 million)

Item	Balance at the beginning of the period	Increase during the period	Recovery during the period	Balance at the end of the period
Interest receivables	7,475	1,384,439	1,382,579	9,335

Charge of allowance for bad debts of interest receivables:

During the reporting period, as the Group inspected the interest receivables and there was no impairment, the allowance for bad debts was not set aside.

Writing-off procedures and policy of bad debts:

As for the items in line with the conditions of writing-off, the Company adopted the procedures of declaration by the branches and approval by the Head Office: relevant departments of branches organized the declaration and review for the bad debts writing-off, submitted to the president panel of branches for review and approval and then reported it to the Head Office; after being reviewed by relevant departments of the Head Office and approved by the Asset Risk Disposal Committee, the items were written off.

In the process of bad debts writing-off, the Company abided by the principle of strict writing-off conditions, providing definite evidences, seriously investigating responsibilities, reporting, reviewing and approving one by one and level by level, keeping confidential and “maintaining filing after writing-off”. After the bad debts were written off, the management responsibility was strictly carried out and diversified methods were adopted in the continuing recourse.

ix. Repossessed assets

(Unit: RMB1 million)

Category	At the end of the period		At the beginning of the period	
	Amount	Allowance for impairment losses	Amount	Allowance for impairment losses
Real estate	335	66	332	141
Other	55	38	39	32
Total	390	104	371	173

At the end of the reporting period, the book balance of the Group's repossessed assets was RMB390 million, of which, real estate's amounted to RMB335 million, accounting for 85.90% of the total; and others aggregated to RMB55 million, accounting for 14.10% of the total.

x. Financial bonds held

(Unit: RMB1 million)

Type	Amount
Financial bonds of policy banks	48,576
Financial bonds of commercial banks	7,300
Financial bonds of international financial companies	50
Subordinated bonds of commercial banks	440
Subordinated bonds of insurance companies	2,900
Hybrid capital bonds of commercial banks	900
Tier-2 capital bonds of commercial banks	100
Total	60,266

Of which, material financial bonds:

(Unit: RMB1 million)

Type	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses (in original currency)
SPD Bank Financial Bonds Issue 1 of 2012	4,000	4.2	2017/02/28	–
CMBC Financial Bonds Issue 2 of 2012	1,500	4.39	2017/05/10	–
CDB Financial Bonds Issue 1 of 2014	1,120	5.6957	2017/01/14	–
CMB Financial Bonds Issue 1 of 2012	1,000	R+0.95	2017/03/14	–
CDB Financial Bonds Issue 20 of 2008	1,000	3.42	2018/11/25	–
CDB Financial Bonds Issue 32 of 2012	920	4.06	2022/07/09	–
CDB Financial Bonds Issue 45 of 2013	900	4.97	2018/10/24	–
CDB Financial Bonds Issue 23 of 2011	710	R+0.75	2018/04/14	–
ADBC Financial Bonds Issue 45 of 2014	700	4.61	2019/10/13	–
CDB Financial Bonds Issue 5 of 2009	620	S+0.3	2016/06/16	–
CDB Financial Bonds Issue 19 of 2011	620	R+0.72	2016/03/30	–
CDB Financial Bonds Issue 20 of 2011	620	4.5	2021/04/07	–

Note: R: Interest rate on one-year time deposits. S: 5d mean of 3m-SHIBOR.

xi. Development and profit/loss of finance business, asset securitization, custody, trust and wealth management during the reporting period

1. Development and profit/loss of finance business during the reporting period

During the reporting period, the Company's finance business developed steadily and generated fee income of RMB2,299 million, a year-on-year increase of RMB142 million or 6.58%. All the matured finance products have been paid as scheduled.

2. Development and profit/loss of asset securitization during the reporting period

Not applicable.

3. Development and profit/loss of custody business during the reporting period

During the reporting period, assets under the Company's custody scaled up remarkably. The Company had 521 products under custody, covering securities investment funds, securities dealers' asset management schemes, banking wealth management, trust and insurance, with a total amount of RMB1,074,971 million, a year-on-year increase of 48.83%, and realized a fee income of RMB951 million, up 99.37% compared with the previous year.

4. Development and profit/loss of trust business during the reporting period

Not applicable.

5. Development and profit/loss of wealth management business during the reporting period

During the reporting period, the Company had 16 wealth management centers of branches, an increase of one center over the previous year. The Company actively improved product mix, reinforced marketing compliance training, and strengthened staff management and standardized operation. What's more, it regularly provided professional skill training for wealth management personnel, continuously pushed forward the construction of one-stop financial services platform, and promoted the sustained development of wealth management business.

xii. Derivative financial instruments held

(Unit: RMB1 million)

Category	Contractual/nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange forwards	15,449	79	117
Foreign exchange swaps	179,216	543	436
Interest rate swaps	3,050	3	3
Option contracts	121	–	–
Total		625	556

Notes:

1. Nominal amount refers to the unfinished trade volume on the balance sheet date instead of the risk amount. Fair value refers to the amount of asset exchange or liability solvency conducted by the parties concerned that are familiar with the conditions in fair trade.

2. The Company used the financial instruments in the management of assets and liabilities, e.g., as for the structural deposits absorbed, the Company reduced the interest rate risk through interest rate swaps.

xiii. Off-balance-sheet items that might have material impact on financial position and operating results

See below for major off-balance-sheet items that might have material impact on financial position and operating results at the end of the reporting period:

(Unit: RMB1 million)

Item	At the end of the year	At the beginning of the year
Credit commitments	458,284	387,967
Of which:		
Irrevocable loan commitments	10,376	1,449
Bank acceptances	327,567	286,995
Letters of guarantee issued	21,263	12,272
Letters of credit issued	76,292	71,333
Lease commitments	6,599	5,042
Capital expenditure commitments	654	345

Note: Credit committee data exclude unused credit card limits. Lease commitment means operating lease commitment.

The above-mentioned off-balance-sheet items might have impact on the Group's financial position and operating results, which depends on whether the related matters will occur in the future. Under certain conditions in the future, they may be converted to the actual obligation of the Group in accordance with the recognition principle of contingencies.

xiv. Risks and risk management

During the reporting period, the Company actively responded to the complicated risk situation, made efforts to strengthen asset quality control, monitoring and prevention of risks in key fields, business structural adjustment and optimization and risk management improvement, and effectively prevented various risks. Its business continued maintaining stable and healthy development.

1. Credit risk management

(1) Business activities incurring credit risk. Credit risk refers to the possibility of loss and uncertainty of income caused by customer default or decreased credit standing to a commercial bank, when the bank operates credit, inter-bank lending and investment businesses. The credit risk of the Group mainly exists in the on and off-balance-sheet businesses including loans, inter-bank lending, bond investments, bill acceptance, L/C, and L/G.

(2) Organizational framework and division of responsibilities of credit risk management. The Company has established a mutually restricted credit risk management organizational framework with reasonable work division and definite responsibilities: the Related Party Transactions Control Committee and the Risk Management Committee are established under the Board of Directors of the Company to be responsible for the formulation of related party transactions management and bank-wide risk management strategy respectively; the Credit Policy Committee of the Head Office is responsible for the formulation, organization and implementation of material credit risk management policies; risk management and internal control committees of the Head Office and branches operate efficiently and arrange and coordinate risk management and internal control; the Credit Risk Management Department of the Head Office and regional credit risk management departments are respectively responsible for the credit risk management of the whole bank and local branches; according to the authorization system and business risk profile, the Company conducts professional approval of important industries and businesses and continues to expand professional approval scope; the Company strengthens functions of each link of credit business, and sets up mutually restricted positions with definite responsibilities and smooth operation.

(3) Credit risk management and control policy during the reporting period. During the reporting period, in order to actively respond to the complicated risk situation and increasing asset management pressure, the Company continued strengthening planning and refined management of various risks, improved risk management strategies, and intensified the management and control of industrial and regional risks, according to the changes in economic situation and requirements on macro-policy. The Company further expanded the risk management and control for the key industries and fields, including low-end manufacturing, industries with excess capacity, real estate and government financing vehicles. The Company examined the risks from existing customers, enhanced withdrawal from low-quality customers, and deeply pushed forward credit restructuring. It emphasized the credit operation management and control, consolidated the fundamental management of credit business, deepened the regional credit policy and quality management and study of key industrial policies, and improved the effectiveness of credit policy to guide business development. The Company strengthened the dynamic management of credit authorization and the credit concentration management of group customers, deepened the “contact bank” and “review” work mechanism for full-time approval personnel, to improve credit eligibility quality. The Company assessed the risks in key products, strengthened guarantee risk management, revaluated the collaterals, intensified the credit implementation and post-lending

management, risk inspection and early warning, and continuously reinforced the management of credit operation process. The Company strengthened the recovery and disposal of troubled loans, stressed responsibilities, organized carefully and took various measures to improve the recovery and disposal efficiency.

(4) Credit asset risk classification procedures and methods. Pursuant to the standards in the CBRC *Guidelines on Loan Risk Classification*, the Company classified the credit assets by considering such non-financial factors as the solvency, willingness to repay, repayment records and guarantee condition of the borrowers and their internal management; credit asset risk classification of the Company followed the step-by-step classification and identification procedures: preliminary classification by the customer manager, review by the customer manager in charge, and then review, recheck and identification by the regional credit risk management departments.

(5) Credit risk profile

Credit exposures. At the end of the reporting period, without regard to the available collaterals or other credit enhancements, total on and off-balance-sheet credit exposures of the Group amounted to RMB2,290.46 billion. Of which, on-balance-sheet risk exposure stood at RMB1,832,176 million, accounting for 79.99% of the total; off-balance-sheet risk exposure was RMB458,284 million, accounting for 20.01%.

Risk concentration. At the end of the reporting period, the balance of single largest legal-person customer loans of the Group was RMB6.02 billion, accounting for 4.55% of net capital; the balance of top 10 single legal-person customer loans was RMB23,749 million, accounting for 17.93% of net capital.

For details of loan distribution by industry and geographical area, please refer to the “Loan Extension” of this Report.

Non-performing loan distribution by industry and geographical area. During the reporting period, the Group maintained a stable quality of loans to each industry. At the end of the reporting period, the industries with a NPL ratio in excess of the Group’s average (1.09%) were mainly wholesale and retail (2.92%), manufacturing (2.01%) and scientific research and technical service (1.49%), of which NPL ratio of scientific research and technical service was high due to their relatively small size; as affected by regional and industrial risks, the asset quality of wholesale and retail and manufacturing had huge pressure and high NPL ratios. Due to the impact of regional risk, the Group’s ratios of NPLs from Eastern China, and Southern China and Central China reached 1.35% and 1.15% respectively, higher than the Group’s average; ratios of NPLs from northern, northeastern and western regions of China were lower than the Group’s average NPL ratio.

(6) Credit risk management measures in 2015. In 2015, banks' business environment will become more complicated. Overall, China's economic operation will enter the new normal, domestic economy will shift from rapid growth to smooth growth, structural adjustment, transformation and upgrade will be carried out in a concentrated manner, and risks will be diverse. Potential credit risk will release and last for a long period, and banks' credit risk prevention tasks will become tougher. The Company will continue actively responding to such circumstances, accelerate the operation of the comprehensive risk management organization framework, and deeply improve comprehensive risk management policies and rules; the Company will strictly strengthen the professional management of "Three Inspections" of loans, and intensify the prevention and control of credit process risks; the Company will strengthen credit approval management, continue improving the quality and efficiency of "contact bank" and "review" work for full-time approval personnel, enhance the supervision of regional credit approval quality, and perform differentiated and dynamic management of credit authorization; the Company will strengthen the overall management and control of asset quality, closely follow it and implement strategies by category, and ensure the risks in key fields, including real estate, government financing vehicles, industries with excess capacity and bulk commodity financing business, are controllable; the Company will activate existing credits and optimize new credits, continue sorting existing customers and inspecting risks, accelerate the withdrawal from low-quality customers, and deeply push forward the credit restructuring; the Company will continue speeding up the recovery and disposal of troubled assets, and improve the quality and efficiency of troubled loan disposal by collection, litigation, restructuring, debt expiation, and market-oriented disposal in batches; the Company will continue strengthening the fundamental management of credit business and prevent process risks and cases.

2. Status of liquidity risk

Liquidity risk is the potential risk that commercial banks will be unable to raise funds at a reasonable cost to fund the asset growth or to settle liabilities as they fall due.

The Company attached great importance to liquidity risk management, and kept improving liquidity risk management measures. During the reporting period, the Company made overall arrangements for benefit and liquidity, balanced the total amount and structure of assets and liabilities, maintained asset liquidity, optimized liability structure, strengthened the management of transactions in money market and allocation of internal funds, and reinforced the liquidity risk identification management and control system. In 2014, the Company's liquidity remained stable as a whole, and the Company had no payment difficulties, default or deferred payment.

At the end of the reporting period, the liquidity ratios of RMB and foreign currency of the Group were 46.76% and 70.50% respectively, and the loan-to-deposit ratio was 70.65%, all conforming to the regulatory requirements.

In 2015, the Company will actively adjust its business and maturity structure, maintain reasonable reserves, improve liquidity risk management mechanism and rules, intensify expectation management, improve daily management means and realize the dynamic balance between liquidity and benefit.

3. Status of market risk

(1) Market risk management. The Company continued improving market risk management system, and specifying market risk identification, measurement and monitoring rules and requirements. It optimized market risk management mechanism, and further improved market risk management by limit management, subdivision of market risk matrix, emergency drilling and other means. The Company strengthened market risk forecast, tracking and response, enhanced the ability to respond to the adjustment of macro policy and changes in interest rates and exchange rates, and effectively implemented market risk control measures. Various market risk indicators performed well, and the Company regularly measured the occupation of market risk capital according to regulatory requirements. At the end of the reporting period, the occupation of market risk capital under the standardized approach reached RMB481 million.

(2) Interest risk status. In 2014, the process of interest rate liberalization quickened, and the upper limit of floating range of deposit rates was enlarged to 1.2 times. The central bank guided interest rates and reduced enterprises' financing costs by asymmetric interest rate cut, targeted reserve requirement ratio cut, relending, PSL and SLF. The Company intensified the management of interest rate risk in banking book by continuous and proactive fund operation in the money market, and slightly adjusted its pricing and bond investment strategies. At the end of the reporting period, the total gap of RMB and USD interest rate repricing period of the Company's banking book was RMB108,989 million. If the interest rate curve moves downwards 50 basis points, the Company's net interest income in the next year will increase by RMB539 million.

(3) Exchange risk status. Major currencies and bulk commodity prices in international market became more volatile in 2014. The exchange rate of RMB against USD depreciated 2.52% compared with the year beginning, and the floating band of the exchange rate of RMB against USD increased to 2%. The Company closely followed the trend of RMB exchange rate, continuously strengthened the foreign exchange risk monitoring and limit management and effectively controlled the overall exchange rate risk. The Company actively helped customers hedge and manage exchange rate risk.

In 2015, monetary policy will become more flexible, and financial reform will be further deepened. In response to the complicated market situation, the Company will continue to intensify overall management and control of market risk and strengthen the analysis and judgment of market trend and identification of risks in related innovative businesses. The Company will expedite the building of the internal market risk measurement model project according to the requirements on Basel II&III implementation.

4. Status of operational risk

(1) Operational risk management in 2014

During the reporting period, the Company kept improving operational risk identification and response mechanism, intensified the management and control of outsourcing business and business continuity risk, and fully enhanced its operational risk prevention awareness and capability.

The Company further improved the operational risk identification, monitoring and reporting mechanism. It optimized operational risk identification mechanism, and strengthened the identification of risks arising from system requirements and tests, in an effort to prevent the operational risk triggered by product and system defects. It optimized the operational risk monitoring mechanism, enlarged monitoring scope, enhanced the risk sensitivity of indicators, and established the key risk indicator (KRI) system for accounting, information technology and credit card lines. It intensified the reporting on operational risk management, and clarified the level, reporting line and time limit of operational risk emergencies.

The Company performed the assessment of operational risk in key business processes. It sorted and evaluated the credit approval process and assessed the operational risk in supply chain finance, found the deficiencies in process design and business operation, and put forward improvement suggestions. It sorted and analyzed operational risk management of branches, and promoted the effective spreading and implementation of operational risk policies and management requirements of the Head Office in branches.

The management of outsourcing risk and business continuity was enhanced. The Company deeply examined risks in outsourcing, services and cooperative projects to prevent the business continuity risk possibly incurred by the problems of third parties. It formulated the outsourcing risk management policy, clarified the outsourcing business scope, categories and supporting approval process, and performed outsourcing risk assessment. It established the business continuity management system and work process covering the Head Office and branches, realized differentiated management, pushed forward the important business risk assessment and key resource construction planning, drafted the business continuity plan and emergency scheme, and conducted business continuity drilling as scheduled.

(2) Potential risk factors and operational risk management measures in 2015

In 2015, operational risk of commercial banks will still have the characteristics of a large number of external risk events and a wide coverage of business. The Company will continue optimizing operational risk management system to reach the standards for Basel II&III compliance; it will logically integrate operational risk management work, including risk identification, monitoring, mitigation and reporting, with business development, and enhance its ability to support business development; it will establish continuous optimization and improvement mechanism throughout the whole Company, and strengthen its business continuity management capability.

5. Status of other risks

Other risks faced by the Company mainly consist of internal control & compliance risk, IT risk, reputational risk and country risk.

In respect of internal control compliance risk: In the reporting period, the Company continuously conducted compliance risk management according to the requirements of the *Guidelines on Compliance Risk Management of Commercial Banks*. First, the Company kept strengthening compliance review, and examined various business rules according to the requirements on compliance, completeness, practicability, coordination and effectiveness, so as to meet regulatory standards and effectively control compliance risk. Second, the Company improved the mechanism for communication and coordination with regulators, organized and implemented key work assigned by regulators, tracked the rectification of the problems found by regulators and realized the effective communication with regulators. Third, the Company strengthened compliance culture education for staff, carried out the construction of outstanding compliance branches, set an example and firmly established the operation compliance concept. Fourth, the Company strengthened compliance performance management, formulated compliance management assessment methods, improved compliance management indicators of the Head Office departments and branches, enhanced compliance awareness of all employees, and guided the standardized operation and compliant operation of grass-root institutions.

In respect of IT risk: The Company fully implemented the policies, laws and regulations of national regulatory authorities, and continuously improved IT risk management by optimizing IT rules and strengthening and improving IT risk prevention system. Its nonlocal disaster recovery center has been formally put into operation, and a disaster recovery architecture of “Three Centers in Two Places” has been established, further improving business continuity management; the Company conducted “omni-faceted, all-round and multi-dimensional” information flow restriction of important information system, effectively guarded against the risk spreading incurred by slow single system, and ensured the security of business information and system services; it established the visible and automated emergency steering platform, integrated monitoring, process and public opinion information, ensured the consistency and timeliness of steering information, and improved emergency response efficiency; it innovated in outsourcing risk assessment and management measures, established the “dual” risk prevention responsibility system for IT and further enhanced the ability to withstand IT risk.

In respect of reputational risk: The Company managed reputational risk mainly through prevention, together with the measures of control and disposal, and achieved remarkable progress. First, the Company improved mechanism, revised and improved the *Administrative Measures on Reputational Risk of Hua Xia Bank Co., Limited.*, further optimized reputational risk management framework, adjusted reputational risk management responsibilities, and created comprehensive reputational risk management system. Second, the Company strengthened training, continuously provided pertinent training for its employees at various levels, organized branches to perform centralized training in rotation and simulative crisis drilling, and intensified the awareness of preventing reputational risk and ability in crisis response. Third, the Company continuously broadened communication channels through various brand and public relation activities, to strengthen communication with interested parties and enhance the society’s recognition of and support for the Company.

In respect of country risk: In 2014, economic and trade growth tended to slow down and turmoil in certain regions deteriorated. The Company continued strengthening daily monitoring and management of country risk. With respect to the countries where the Company had outstanding credits, the Company updated country risk rating and set aside country risk reserve on a quarterly basis. The country risk was controllable overall.

xv. Innovative services and products

The Company closely followed the market situation and customer demand, and intensified product R&D and innovation. During the reporting period, the Company researched and developed 36 new products serving various customers, and improved nine products. It actively followed up the country’s urbanization process. Based on the urbanization loan products, the Company further developed and promoted the urbanization series financial service solutions that serve the urban and rural integration of the country. Relying on supply chain finance system platform and corporate internet banking platform, the Company vigorously boosted the development of electronic supply chain finance. It researched, developed and optimized four international banking products, namely export Dai Li Tong, trade finance risk participation and Export Piao Zheng Tong. Seizing the internet finance development opportunities, the Company researched and developed such products as direct banking and WeChat banking, and kept improving the various functions of mobile banking according to market and customer changes. It researched and developed seven personal banking products, including insured and guaranteed loans, wealth management without a fixed period, structured capital allocation of private placement and low-risk arbitrage. It enriched and diversified SME products, and developed and optimized small enterprise financing products, including small enterprise internet loan and small enterprise POS internet loan. In line with the development of internet finance and interest rate liberalization, the Company practiced inclusive finance, improved investment facilitation, and developed such fund sale products as Pu Hui Ji Jin Bao and portfolio subscription.

IV. EXPLANATION ON THE NONSTANDARD AUDITOR'S REPORT

Not applicable.

V. PROFIT DISTRIBUTION PLAN AND PLAN ON STRENGTHENING OF CAPITAL BASE WITH CAPITAL RESERVE

i. Formulation, implementation or adjustment of cash dividend policy

According to the *Articles of Association of Hua Xia Bank Co., Limited*, the Company can distribute dividends in the form of cash or share or combination of both, and shall maintain the continuity and stability of profit distribution policy. The Company will give priority to the profit distribution in cash. Total profit distributed in the form of cash in the last three years was not less than 30% of the annual average distributable profit realized during the period.

The profit distribution plan for 2013 was reviewed and approved at the Annual General Meeting for 2013 and took effect on 10 July 2014. The distribution plan accorded with the Articles of Association, the distribution standard and proportion were definite and clear, and relevant decision-making procedures and mechanism were complete. Independent directors performed their duties and made their due contributions. Minority shareholders were provided with opportunities to fully express their opinions and appeals, and their legal rights and interests were sufficiently safeguarded. Total profit distributed in the form of cash in the last three years was not less than 30% of the annual average distributable profit realized during the period.

ii. Profit distribution plan and plan on strengthening of capital base with capital reserve in the recent three years (including the reporting period)

(Unit: RMB1 million)

Distribution year	Bonus shares distributed per ten shares	Dividends distributed per ten shares (RMB, before tax)	Shares recapitalized per ten shares	Cash dividend (before tax)	Net profit of the year	Percentage (%)
2014	–	4.35	2	3,874	17,795	21.77
2013	–	4.35	–	3,874	15,485	25.02
2012	–	4.70	3	3,219	12,795	25.16

According to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J. [2012] No. 20) released by the Ministry of Finance and the *Articles of Association of Hua Xia Bank Co., Limited*, the Company made statutory surplus reserve based on the net profit audited by the accounting firm, set aside general reserve from net profit at the end of the year to cover unidentified possible losses, and distributed ordinary share dividends to shareholders based on the distributable profit audited by the accounting firm. The Company's profit distribution plan and plan on strengthening of capital base with capital reserve for 2014 are set out below:

1. RMB1,779,497,131.77 is set aside as statutory surplus reserve at 10% of the net profit of 2014 (RMB17,794,971,317.66) as audited by the accounting firm.

2. Pursuant to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J. [2012] No. 20) released by MOF, the balance of general reserve shall not be less than 1.5% of the balance of assets exposed to risks and losses at the end of the period. Full amount shall be set aside in not more than five years. RMB4,327 million is to be set aside as general reserve for 2014.

3. Ordinary share dividends are to be distributed to shareholders in addition to statutory profit distribution in comprehensive consideration of return on shareholders' investments, regulatory requirement on capital adequacy ratio and better promotion of the Company's sustainable development. With 8,904,643,509 shares outstanding at the end of 2014 as the base, a total of RMB3,873,519,926.42 will be distributed in cash at RMB4.35 (before tax) per 10 shares. The retained profits of 2014 will be used in replenishing capital and distributed in coming years.

4. At the end of 2014, the Company's capital reserve was RMB30,541,648,656.76. With 8,904,643,509 shares outstanding as the base, the Company used the capital reserve to strengthen the capital base at two shares transferred per ten shares, resulting in an increase of 1,780,928,702 shares. The Company's total share capital was thus increased to 10,685,572,211 shares.

The foregoing profit distribution plan and the plan on strengthening of capital base with capital reserve will be implemented within two months after being reviewed and passed at the Annual General Meeting for 2014.

VI. FULFILLMENT OF SOCIAL RESPONSIBILITIES

During the reporting period, the Company firmly implemented the development strategy of "SME Financial Service Provider", strived to cultivate the "Hua Xia Service" brand, carried forward social responsibility efforts, and further integrated social responsibility management thought with overall development strategy. It continuously provided policy and resource priorities to small enterprises, established the exclusive operation service system for small and micro enterprises, creatively launched the "Platform Finance" business pattern and such products as annul examination-based loans for small and micro enterprises according to the development needs of enterprises, and strived to reduce financing costs of small enterprises. It continuously improved customer protection mechanism and business process, analyzed financial needs of customers and enhanced customer service capacity. During the reporting period, 36 outlets of the Bank won the title of "1,000 Model Institutions of China's Banking Industry for Civilized and Standardized Services in 2014" conferred by the China Banking Association, and 48 outlets were named "Five-star Operating Outlets of China's Banking Industry for Civilized and Standardized Services" by the China Banking Association. Based on the green credit principles centering on "one-vote veto system for environmental protection", the Company strengthened credit support for such industries as energy saving, emission reduction, environmental protection and circular economy, promoted e-banking services, pushed forward the construction of green service channels, and enhanced electronic operation, energy saving and emission reduction, in an effort to become a "Green Bank". It kept diversifying services for the people's livelihood, innovated in public benefit forms and channels, actively participated in inclusive finance education, and sponsored the "Hua Xia Star" charity campaigns in an effort to drive growth of small enterprises and care for the growth of children of sanitation workers. It organized and upheld staff voluntary activities to share value and grow together with the society. During the reporting period, the Company won the "Award for Best Social Responsibility Practice Case" and the "Award for Best People's Livelihood Finance with Social Responsibility".

For details on the Company's social responsibilities, please refer to the 2014 *Social Responsibility Report of Hua Xia Bank Co., Limited*.

SIGNIFICANT EVENTS

I. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

In 2014, the Company was not involved in any material legal proceedings, arbitrations and media questions. As at 31 December 2014, the Company had 234 pending lawsuits involving RMB10 million or above individually, totaling RMB7,247,621,800, of which six cases that involved RMB111,531,400 were brought against the Company. During the reporting period, the Company had made full provisions for anticipated liabilities that may arise from pending lawsuits against the Company.

II. FUND OCCUPANCY AND RECOVERY IN 2014

During the reporting period, as audited and assured by Deloitte Touche Tohmatsu Certified Public Accountants LLP, no funds of the Company were occupied for non-operating purposes by controlling shareholder and other related parties.

III. MATERIAL ASSET ACQUISITION, DISPOSAL AND MERGER

During the reporting period, the Company did not engage in any material asset acquisition, disposal or merger.

IV. IMPLEMENTATION OF SHARE INCENTIVE SCHEME AND ITS EFFECTS

Not applicable.

V. MATERIAL RELATED PARTY TRANSACTIONS

i. Loans to shareholders with a stake of 5% or higher

Loans to shareholders with a stake of 5% or higher in the Company at the end of the reporting period are shown below:

(Unit: RMB1 million)

Shareholder	Number of shares held	Outstanding loans at end of 2014	Outstanding loans at end of 2013
Shougang Corporation	1,805,506,536	6,020	5,900

ii. Material related party transactions

1. Outstanding loans to shareholders with a stake of 5% or higher in the Company and the related companies controlled by them at the end of the reporting period, with individual amounts of RMB30 million or above, are shown below (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds):

(Unit: RMB1 million)

Related party	Outstanding loans at end of 2014	% of total loans
Shougang Corporation	6,020	0.64
Guiyang Shougang Special Steel Co., Ltd.	300	0.03
Jilin Tonggang Mining Co., Ltd.	250	0.03
Bazhou kaihong Mining Co., Ltd.	150	0.02
Kuche County Tianyuan Cocking Co., Ltd.	140	0.01
Beijing West Industries Co., Ltd.	120	0.01
Shougang Yili Iron & Steel Co., Ltd.	90	0.01

2. At the end of the reporting period, the Company held RMB1,550 million bonds of State Grid Corporation which was related to State Grid Yingda International Holdings Corporation, Ltd.

3. At the end of the reporting period, the Company issued non-financing guarantees worth RMB11,509,200 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shougang Corporation. Besides, the Company issued banker's acceptance bills of RMB82.5 million and RMB3,899,800 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shandong Shougang Steel Trade Co., Ltd. and Beijing Shougang Alliance of Xingang Science & Trade Co., Ltd. respectively, both of which were related to Shougang Corporation. It also issued banker's acceptance bills of RMB50 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to CEPIC (Dalian) Coal Co., Ltd. which was related to State Grid Yingda International Holdings Corporation, Ltd. The Company issued letters of credit of RMB200 million, RMB196,409,000 equivalent, RMB90 million equivalent and RMB80,173,500 equivalent (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Jilin Tonggang Mining Co., Ltd., Tonggang Group Import & Export Co., Ltd., Tonghua Iron and Steel Co., Ltd. and Shougang Changzhi Iron & Steel Co., Ltd. respectively, which were related to Shougang Corporation. It also issued letters of credit of RMB44,062,600 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to State Grid Corporation which was related to State Grid Yingda International Holdings Corporation, Ltd. Lastly, the Company disbursed loans of RMB20 million and RMB260 million to Beijing Shougang Alliance of Xingang Science & Trade Co., Ltd. which was related to Shougang Corporation and Yunnan Anjin Highway Development Co., Ltd. which was related to Hongta Tobacco (Group) Co., Ltd., representing 0.00% and 0.03% of total loans, respectively.

4. At the end of the reporting period, the Company disbursed loans of RMB7,498 million to its related companies, accounting for 0.80% of total loans. The Company's related loans had no overdue or default interest. Considering quantity, structure, quality and potential exposures of those related party transactions, the existing related loans would not exert material impact on the Company's normal operation.

iii. Management, pricing principle and basis of related party transactions

During the reporting period, pursuant to the *Administrative Measures for Related party Transactions between Commercial Banks and Their Insiders or Shareholders* released by CBRC, the Company further tightened the management and control of related party transaction risks, reasonably controlled limits of related party transactions and proactively adjusted the transaction structures. These moves helped to further improve related party transaction management and effectively control related party transaction risks. The Company strictly implemented the CBRC's *Administrative Measures for Related party Transactions between Commercial Banks and Their Insiders or Shareholders*, and conducted related party transactions in accordance with the commercial principle and based on the pricing principle and basis that the condition is not lower than that of similar non-related party transactions.

VI. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

i. Custody, contract and lease

During the reporting period, the Company did not take custody of or contract assets of other companies, and no other companies took custody of, contract or rent assets of the Company.

ii. Material guarantees

Except for financial guarantees within the business scope as approved by CBRC, the Company had no material guarantees to be disclosed during the reporting period.

iii. Other material contracts

No material contract disputes arose during the reporting period.

VII. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON EXTERNAL GUARANTEES

Pursuant to applicable regulations and requirements of China Securities Regulatory Commission, Independent Directors of the Company reviewed the external guarantees of the Company in 2014 on a fair, impartial and objective basis. Specific review opinions are hereby given below:

The external guarantee service of the Company is a part of the ordinary banking services within the business scope of the Company as approved by the People's Bank of China and China Banking Regulatory Commission. At the end of the reporting period, outstanding guarantees of the Company amounted to RMB21,263 million, an increase of RMB8,991 million compared with the end of previous year.

The Company enhanced guarantee risk management by including guarantee activities into centralized credit facility management, conducting stringent due diligence, approval and management, and strengthening risk identification, assessment, monitoring and control, which had effectively controlled guarantee risks. During the reporting period, external guarantee service of the Company was run normally without any advance payments or non-compliances.

VIII. COMMITMENTS

i. During the reporting period, the Company or its shareholders having a stake of 5% or higher in the Company did not make any commitments that may impose any material impact on operating results or financial position of the Company.

ii. Shareholders of the Company, namely Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A., committed not to transfer the Company's shares acquired at this offering within five years following the delivery date of the Company's non-public offering in 2011; share transfer upon maturity and qualifications of the transferee for shareholder shall be subject to the consent of regulators as per relevant laws and regulations.

Committed by	Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A.
Commitment type	Restrictions on sales of shares of re-financing
Commitment	They committed not to transfer the Company's shares acquired at this offering within five years following the delivery date of the Company's non-public offering in 2011; and share transfer upon maturity and qualifications of the transferee for shareholder shall be subject to the consent of regulators as per relevant laws and regulations.
Commitment date	26 April 2011
Commitment term	Five years
Performance status	Under performance

IX. ENGAGEMENT AND REMOVAL OF INTERMEDIARIES

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor of the 2014 financial statements with an audit fee of RMB4.38 million and as the auditor of internal controls in 2014 with an audit fee of RMB1.05 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit service for the Company for two years.

X. PENALTY TO THE COMPANY, THE BOARD OF DIRECTORS AND DIRECTORS

During the reporting period, the Company, the Board of Directors and Directors did not receive any disciplinary inspection, administrative penalty or public criticism by CSRC or public censure by stock exchanges, or any punishment by other regulatory or judicial authorities.

XI. INDEX OF INFORMATION DISCLOSURES

Event	Published in (journals)	Date of publication	Published on (website)
Announcement on Resolutions of the 22nd Meeting of the Sixth Board of Directors	China Securities Journal, Shanghai Securities News, and Securities Times	12 February 2014	http://www.sse.com.cn
Announcement on Resolutions of the 15th Meeting of the Sixth Board of Supervisors	Ditto	12 February 2014	Ditto
Announcement on Notice about Holding the First Extraordinary Shareholders' General Meeting in 2014	Ditto	12 February 2014	Ditto
Announcement on Performance of Commitments by De Facto Controller, Shareholders, Related Parties, Acquirer and Listed Company	Ditto	14 February 2014	Ditto
Announcement on Resolutions of the First Extraordinary Shareholders' General Meeting in 2014	Ditto	28 February 2014	Ditto
Announcement on Office-holding of Employee Supervisors in the Seventh Board of Supervisors	Ditto	28 February 2014	Ditto
Announcement on Resolutions of the First Meeting of the Seventh Board of Directors	Ditto	28 February 2014	Ditto
Announcement on Resolutions of the First Meeting of the Seventh Board of Supervisors	Ditto	28 February 2014	Ditto
Indicative Announcement on Change in Shareholders' Equity	Ditto	04 March 2014	Ditto
Simplified Report on Change in Equity	Ditto	05 March 2014	Ditto
Announcement on Resolutions of the Second Meeting of the Seventh Board of Directors	Ditto	26 March 2014	Ditto
Announcement on Related Party Transactions	Ditto	26 March 2014	Ditto
Announcement on Resolutions of the Third Meeting of the Seventh Board of Directors	Ditto	18 April 2014	Ditto
Announcement on Notice about Holding the Annual General Meeting for 2013	Ditto	18 April 2014	Ditto
Announcement on Resolutions of the Second Meeting of the Seventh Board of Supervisors	Ditto	18 April 2014	Ditto
Annual Report 2013	Ditto	18 April 2014	Ditto
Announcement on Being Permitted to Issue RMB Bonds in Hong Kong	Ditto	26 April 2014	Ditto

Event	Published in (journals)	Date of publication	Published on (website)
Announcement on Resolutions of the Fourth Meeting of the Seventh Board of Directors	Ditto	30 April 2014	Ditto
First Quarterly Report in 2014	Ditto	30 April 2014	Ditto
Announcement on Advance Notice about the Explanation Session of Cash Dividend Distribution	Ditto	13 May 2014	Ditto
Announcement on Resolutions of the Fourth Meeting of the Seventh Board of Supervisors	Ditto	21 May 2014	Ditto
Announcement on Resolutions of the Annual General Meeting for 2013	Ditto	23 May 2014	Ditto
Announcement on Resolutions of the Fifth Meeting of the Seventh Board of Directors	Ditto	27 June 2014	Ditto
Announcement on Resignation of Director	Ditto	02 July 2014	Ditto
Announcement on Successful Issuing of Senior CNH Bonds	Ditto	02 July 2014	Ditto
Announcement on Implementation of the 2013 Profit Distribution Plan	Ditto	04 July 2014	Ditto
Announcement on Being Approved to Issue Tier-2 Capital Bonds	Ditto	24 July 2014	Ditto
Announcement on Completing the Issuing of Tier-2 Capital Bonds	Ditto	29 July 2014	Ditto
Announcement on Resolutions of the Sixth Meeting of the Seventh Board of Directors	Ditto	07 August 2014	Ditto
Announcement on Resolutions of the Fifth Meeting of the Seventh Board of Supervisors	Ditto	07 August 2014	Ditto
Announcement on Related Party Transactions	Ditto	07 August 2014	Ditto
Interim Report 2014	Ditto	07 August 2014	Ditto
Indicative Announcement on Change in Shareholders' Equity	Ditto	12 September 2014	Ditto
Announcement on Resolutions of the Seventh Meeting of the Seventh Board of Directors	Ditto	31 October 2014	Ditto
Announcement on Resolutions of the Sixth Meeting of the Seventh Board of Supervisors	Ditto	31 October 2014	Ditto
Announcement on Amendments to the Articles of Association	Ditto	31 October 2014	Ditto
Third Quarterly Report in 2014	Ditto	31 October 2014	Ditto

DETAILS OF CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

i. Changes in shares

i. Table on Changes in Shares

(Unit: Share)

	Pre-change		Increase/ Decrease (+,-)	Post-change	
	Number	Percentage (%)		Number	Percentage (%)
I. Shares subject to restrictions on sales	2,416,956,698	27.14	0	2,416,956,698	27.14
1. State-owned shares					
2. Shares held by state-owned corporations	1,747,863,960	19.63	0	1,747,863,960	19.63
3. Shares held by other domestic investors					
Of which:					
Shares held by domestic non-state-owned corporations					
Shares held by domestic natural persons					
4. Shares held by foreign investors	669,092,738	7.51	0	669,092,738	7.51
Of which:					
Shares held by foreign corporations	669,092,738	7.51	0	669,092,738	7.51
Shares held by foreign natural persons					
II. Shares not subject to restrictions on sales	6,487,686,811	72.86	0	6,487,686,811	72.86
1. RMB-denominated ordinary shares	6,487,686,811	72.86	0	6,487,686,811	72.86
2. Foreign shares listed domestically					
3. Foreign shares listed overseas					
4. Others					
III. Total number of shares	8,904,643,509	100.00	0	8,904,643,509	100.00

2. Notes to the changes in shares

Not applicable.

3. Influence of share changes on financial indicators including earnings per share and net assets per share in the past year and during the recent period

Not applicable.

ii. Changes in shares subject to restrictions on sales

(Unit: Share)

Shareholder	Number of shares subject to restrictions on sales at the beginning of the year	Number of shares released from restrictions on sales during the year	Increase in the number of shares subject to restrictions on sales during the year	Number of shares subject to restrictions on sales at the end of the year	Reason for restrictions on sales	Date on which shares become tradable
Shougang Corporation	898,565,511	0	0	898,565,511	(Refer to note for details)	–
State Grid Yingda International Holdings Corporation, Ltd.	849,298,449	0	0	849,298,449	(Refer to note for details)	–
Deutsche Bank Luxembourg S.A.	669,092,738	0	0	669,092,738	(Refer to note for details)	–
Total	2,416,956,698	0	0	2,416,956,698	–	–

Note: In April 2011, the Company privately placed 1,859,197,460 shares subject to restrictions on sales to Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A., which subscribed 691,204,239 shares, 653,306,499 shares and 514,686,722 shares respectively. The shares that the said investors subscribed are locked for 60 months from 26 April 2011. The Company will apply to Shanghai Stock Exchange for circulation of these shares on 26 April 2016. In July 2013, with 6,849,725,776 shares outstanding as the base, the capital reserve was used to strengthen the capital base at three shares transferred per ten shares, resulting in an increase of 2,054,917,733 shares including 557,759,238 shares subject to restrictions on sales.

II. SECURITIES ISSUE AND OFFERING

i. Securities issue in the previous three years

Not applicable.

ii. Changes in the total number of shares and shareholder structure as well as the Company's asset & liability structure

During the reporting period, the Company's total number of shares and shareholder structure remained unchanged.

iii. Existing employee shares

The Company had no employee shares.

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

i. Number of shareholders and shareholdings

(Unit: Share)

Total number of shareholders at the end of the reporting period	153,135	Total number of shareholders at the end of the fifth trading day before disclosing date of this Annual Report				151,844	
Shareholdings of the top 10 shareholders							
Shareholder	Nature of shareholder	Percentage (%)	Number of shares held by shareholders	Increase/ decrease during the reporting period	Number of shares subject to restrictions on sales	Number of pledged or frozen shares	
						Share status	Number
Shougang Corporation	State-owned legal person	20.28	1,805,506,536	0	898,565,511	None	
State Grid Yingda International Holdings Corporation, Ltd.	State-owned legal person	18.24	1,623,994,960	0	849,298,449	None	
Deutsche Bank Luxembourg S.A.	Foreign legal person	9.28	826,392,738	0	669,092,738	None	
Deutsche Bank Aktiengesellschaft	Foreign legal person	8.21	731,085,499	0	0	None	
Hongta Tobacco (Group) Co., Ltd.	State-owned legal person	4.37	389,480,000	0	0	None	
SAL.OPPENHEIM JR.& CIE. KOMMANDITGESELLSCHAFT AUF AKTIEN	Foreign legal person	2.50	222,560,000	0	0	None	
Runhua Group Co., Ltd.	Domestic non-state-owned legal person	2.26	200,800,000	-76,588,946	0	Pledged	200,800,000
Beijing Sanjili Energy Co., Ltd.	State-owned legal person	1.43	126,935,034	-13,500,000	0	Pledged	65,000,000
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	1.31	116,438,819	0	0	Pledged	36,037,860
Baotou Huazi Industry Co., Ltd.	Domestic non-state-owned legal person	0.66	58,800,000	0	0	Pledged	45,800,000

DETAILS OF CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Shareholdings of the top 10 shareholders not subject to restrictions on sales		
Shareholder	Number of shares not subject to restrictions on sales	Type of shares
Shougang Corporation	906,941,025	RMB-denominated ordinary shares
State Grid Yingda International Holdings Corporation, Ltd.	774,696,511	RMB-denominated ordinary shares
Deutsche Bank Aktiengesellschaft	731,085,499	RMB-denominated ordinary shares
Hongta Tobacco (Group) Co., Ltd.	389,480,000	RMB-denominated ordinary shares
SAL.OPPENHEIM JR. & CIE.KOMMANDITGESELLSCHAFT AUF AKTIEN	222,560,000	RMB-denominated ordinary shares
Runhua Group Co., Ltd.	200,800,000	RMB-denominated ordinary shares
Deutsche Bank Luxembourg S.A.	157,300,000	RMB-denominated ordinary shares
Beijing Sanjili Energy Co., Ltd.	126,935,034	RMB-denominated ordinary shares
Shanghai Giant Lifetech Co., Ltd.	116,438,819	RMB-denominated ordinary shares
Baotou Huazi Industry Co., Ltd.	58,800,000	RMB-denominated ordinary shares
Remarks on the connected relation or concerted action of the above shareholders	<p>During the reporting period, Deutsche Bank Luxembourg S.A. was a wholly-owned subsidiary of Deutsche Bank Aktiengesellschaft. Deutsche Bank Aktiengesellschaft completed the delivery of 100% shares of Sal. Oppenheim jr. & Cie. S.C.A. which holds 100% interests of Sal. Oppenheim jr. & Cie. Kommanditgesellschaft auf Aktien on 15 March 2010. For details, please refer to the provisional announcement of the Company on 18 March 2010. The Company has no knowledge of any other connected relations among other shareholders.</p>	

Note: Deutsche Bank Aktiengesellschaft, a shareholder of the Company, has entered into an agreement on acquiring 171,200,000 shares held by Sal. Oppenheim jr. & Cie. Kommanditgesellschaft auf Aktien in the Company, and the shareholding transfer is going through the approval procedure according to law.

ii. Number of shares subject to restrictions on sales held by top ten shareholders and restrictions on sales

(Unit: Share)

No.	Shareholder subject to restrictions on sales	Number of shares subject to restrictions on sales	Particulars of trading of shares subject to restrictions on sales		Restrictions on sales
			Tradable date	Number of new tradable shares	
1	Shougang Corporation	898,565,511	2016.04.26	898,565,511	The Company privately offered 1,859,197,460 ordinary shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.
2	State Grid Yingda International Holdings Corporation, Ltd.	849,298,449	2016. 04.26	849,298,449	The Company privately offered 1,859,197,460 ordinary shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.
3	Deutsche Bank Luxembourg S.A.	669,092,738	2016. 04.26	669,092,738	The Company privately offered 1,859,197,460 ordinary shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.

iii. Particulars of shareholders holding over 5% shares of the Company

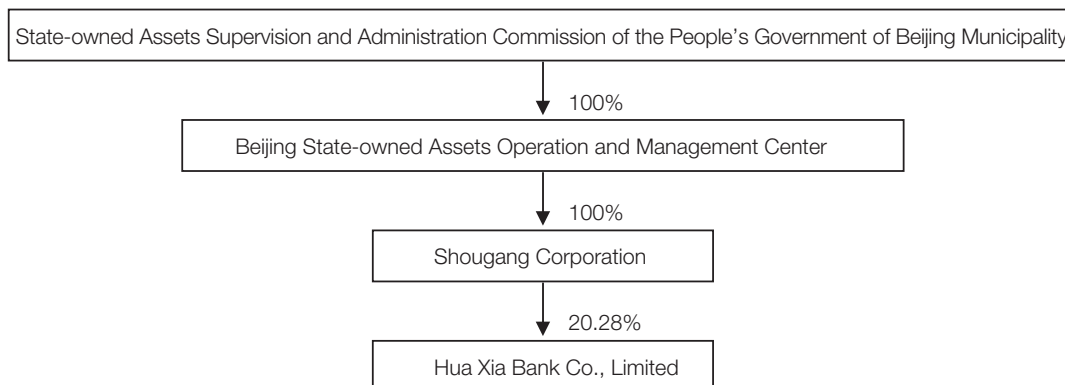
The Company has no controlling shareholders or de facto controller. Shougang Corporation is the largest shareholder of the Company.

At the end of the reporting period, shareholders holding over 5% shares of the Company were Shougang Corporation (20.28%), State Grid Yingda International Holdings Corporation, Ltd. (18.24%), Deutsche Bank Luxembourg S.A. (9.28%) and Deutsche Bank Aktiengesellschaft (8.21%).

1. Shougang Corporation

Founded on 15 October 1992, Shougang Corporation grew out of Shijingshan Steel and Iron Works which was established in 1919 and reorganized into Shougang Group in September 1996. As the parent company of Shougang Group, Shougang Corporation operated all the assets of Shougang Group. On 2 August 1999, Shougang Corporation, as a state-owned asset investment entity authorized by the People's Government of Beijing Municipality, was restructured into a solely state-owned company as approved by the State Economic and Trade Commission and the People's Government of Beijing Municipality. With organizational code 10112000-1, Shougang Corporation has a registered capital of RMB7,263.94 million and its legal representative is Jin Wei. Shougang Corporation is a large enterprise group with the operation covering different industries, regions and countries. Its core businesses include industries, construction, geologic exploration, transportation, foreign trade, telecommunication, finance and insurance, scientific research and comprehensive technologic service, domestic commerce, public catering, material supply and sales, warehouse, real estate, residential service, consultation, leasing, agriculture, forestry, husbandry, fishery (except for those without special license) and authorized management of state-owned assets.

The equity relationship between the Company and Shougang Corporation as the largest shareholder is illustrated below:



2. State Grid Yingda International Holdings Corporation, Ltd.

State Grid Yingda International Holdings Corporation, Ltd. (abbreviated as “State Grid Yingda Group Company” and formerly known as “SGCC Asset Management Co., Ltd.”), founded on 18 October 2007, is a wholly-owned subsidiary of State Grid Corporation of China with a registered capital of RMB19 billion and Fei Shengying as its legal representative. Its organizational code is 710935089. It mainly deals with investment and asset operation and management, asset custody; services in corporate restructuring, M&A, strategic placement, start-up business; investment advisory and consultation etc.

3. Deutsche Bank Luxembourg S.A.

Deutsche Bank Luxembourg S.A. was registered in Luxembourg as a limited liability company with a registered capital of EUR3,959 million. Its CEO is Boris N. Liedtke. This wholly-owned subsidiary of Deutsche Bank Aktiengesellschaft is mainly engaged in propriety and agency banking and financial services in Luxembourg or at abroad and provides insurance brokerage services and other directly or indirectly related businesses via officially licensed natural persons. It is also authorized to involve in equity participation in and set up branches for other enterprises whose registered office is located in Luxembourg or other countries.

4. Deutsche Bank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft, incorporated in Frankfurt, Germany, is a limited liability company, with a registered capital of EUR3,531 million. Mr. Jürgen Fitschen and Mr. Anshuman Jain serve as its CEO jointly. As a universal bank, Deutsche Bank is mainly engaged in banking businesses by itself or through its subsidiaries or related companies, and provides services concerning capital, fund management, real estate finance, financing, research and consultation. As long as permitted by law, it is authorized to deal with various transactions, take all measures helpful to realize its objectives, especially in respect of the purchase and assignment of real estate, establishment of branches both at home and abroad, purchase, management and sales of its interests in other enterprises and conclusion of agreements with them.

iv. Special explanation on the Company without controlling shareholder

The Company has no controlling shareholder. Shougang Corporation is the largest shareholder of the Company.

v. Special explanation on the Company without de facto controller

The Company has no de facto controller. Shougang Corporation is the largest shareholder of the Company.

BASIC INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

i. Changes in shares held by directors, supervisors and senior management members and their remunerations during the reporting period

Name	Position	Gender	Date of birth	Tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period
Wu Jian	Chairman	Male	1954	27 February 2014-27 February 2017	0	0	0	275.6	None
Fang Jianyi	Vice Chairman	Male	1953	27 February 2014-27 February 2017	0	0	0	8.4	None
Li Ruge	Vice Chairman	Male	1963	27 February 2014-27 February 2017	0	0	0	9.6	None
Zou Libin	Director	Male	1967	27 February 2014-27 February 2017	0	0	0	8.8	None
Ding Shilong	Director	Male	1963	27 February 2014-27 February 2017	0	0	0	9.6	None
Christian K. Ricken	Director	Male	1966	27 February 2014-27 February 2017	0	0	0	8.4	None
Li Jianbo	Director	Male	1965	27 February 2014-27 February 2017	0	0	0	7.6	None
Fan Dazhi	Director, President	Male	1964	27 February 2014-27 February 2017	0	0	0	275.6	None
Liu Chunhua	Director	Female	1970	27 February 2014-27 February 2017	0	0	0	212	None
	Chief Audit Officer			Since 26 December 2013					
Ren Yongguang	Director, Vice President	Male	1959	27 February 2014-27 February 2017	0	0	0	212	None
Zhao Junxue	Director, Secretary to the Board	Male	1958	27 February 2014-27 February 2017	0	0	0	212	None
Pei Changhong	Independent Director	Male	1954	27 February 2014-13 April 2015	0	0	0	20.8	None
Zeng Xiangquan	Independent Director	Male	1955	27 February 2014-27 February 2017	0	0	0	20.8	None
Yu Changchun	Independent Director	Male	1952	27 February 2014-27 February 2017	0	0	0	22.0	None
Xiao Wei	Independent Director	Male	1960	27 February 2014-27 February 2017	0	0	0	19.1	None
Chen Yonghong	Independent Director	Male	1962	27 February 2014-27 February 2017	0	0	0	18.5	None
Yang Delin	Independent Director	Male	1962	27 February 2014-27 February 2017	0	0	0	18.5	None
Wang Huacheng	Independent Director	Male	1963	27 February 2014-27 February 2017	0	0	0	17.9	None
Cheng Yanhong	Chairman of the Board of Supervisors	Female	1958	27 February 2014-27 February 2017	0	0	0	275.6	None
Li Liangang	Supervisor	Male	1968	27 February 2014-27 February 2017	0	0	0	8.4	None
Tian Ying	Supervisor	Female	1965	27 February 2014-27 February 2017	0	0	0	7.2	None
Cheng Chen	Supervisor	Female	1975	27 February 2014-27 February 2017	0	0	0	5.4	None
Gao Peiyong	External Supervisor	Male	1959	2014.2.27-2015.4.13	0	0	0	17.2	None
Qi Yudong	External Supervisor	Male	1966	2014.2.27-2015.4.13	0	0	0	17.2	None
Lu Zhifang	External Supervisor	Male	1953	2014.2.27-2015.4.13	0	0	0	15.7	None
Zhu Wei	External Supervisor	Male	1965	27 February 2014-27 February 2017	0	0	0	15.7	None
Li Guopeng	Employee Supervisor	Male	1955	27 February 2014-27 February 2017	0	0	0	212	None
	Chairman of the Labor Union			2007.10.13-2015.2.14					
Li Qi	Employee Supervisor	Male	1958	27 February 2014-27 February 2017	0	0	0	116.6	None
Wang Liying	Employee Supervisor	Female	1962	27 February 2014-27 February 2017	0	0	0	116.6	None
Wang Yaoting	Vice President	Male	1963	27 February 2014-27 February 2017	0	0	0	212	None
Li Xiang	Vice President	Male	1957	27 February 2014-27 February 2017	0	0	0	212	None
Huang Jinlao	Vice President	Male	1972	27 February 2014-27 February 2017	0	0	0	212	None

BASIC INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

Name	Position	Gender	Date of birth	Tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period
Guan Wenjie	Principal of Financial Affairs	Male	1970	27 February 2014-27 February 2017	0	0	0	116.6	None
Choo Nyen Fui	Former director	Male	1962	27 February 2014-30 June 2014	0	0	0	5.2	None
Robert John Rankin	Former director	Male	1963	30 October 2010-27 February 2014	0	0	0	1.4	None
Zhang Meng	Former director	Female	1958	30 October 2010-27 February 2014	0	0	0	0.8	None
Sheng Jiemin	Former independent director	Male	1941	30 October 2010-27 February 2014	0	0	0	3.5	None
Luo Xiaoyuan	Former independent director	Female	1954	30 October 2010-27 February 2014	0	0	0	3.5	None
Lu Jianping	Former independent director	Male	1963	30 October 2010-27 February 2014	0	0	0	3.5	None
Xiao Weiqiang	Former independent director	Male	1954	30 October 2010-27 February 2014	0	0	0	2.9	None
Guo Jianrong	Former supervisor	Male	1962	30 October 2010-27 February 2014	0	0	0	1.0	None
Liu Guolin	Former supervisor	Male	1951	30 October 2010-27 February 2014	0	0	0	0.4	None
Zhang Guowei	Former employee supervisor	Male	1959	29 October 2010-27 February 2014	0	0	0	116.6	None
Song Jiqing	Former principal of financial affairs	Male	1965	30 October 2010-27 February 2014	0	0	0	116.6	None
Total	/	/	/	/	/	/	/	3192.8	/

Notes:

1. The allowance in total remuneration received by directors and supervisors from the Company during the reporting period was determined according to the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors*.
2. Pre-tax remunerations of the Chairman, presidents, Chairman of the Board of Supervisors, Employee Supervisors and other senior management members serving in the Company are under confirmation and will be disclosed thereafter.

The rest part of pre-tax remunerations for 2013:

Name	Position	The rest part of pre-tax remunerations for 2013 (RMB10,000)
Wu Jian	Chairman	38.00
Fan Dazhi	Director, President	38.00
Cheng Yanhong	Chairman of the Board of Supervisors	38.00
Ren Yongguang	Director, Vice President	31.00
Wang Yaoting	Vice President	31.00
Li Xiang	Vice President	31.00
Huang Jinlao	Vice President	31.00
Zhao Junxue	Director, Secretary to the Board	31.00
Li Guopeng	Employee Supervisor	31.00
Li Qi	Employee Supervisor	136.63
Zhang Guowei	Former employee supervisor	65.99
Song Jiqing	Former principal of financial affairs	94.45

Notes:

1. The Annual Report 2013 has disclosed part of remunerations paid to the above persons during the reporting period. The rest part of pre-tax remunerations for 2013 is hereby disclosed.
2. Pursuant to relevant policy, risk security deposits of incumbent Chairman, Presidents, Chairman of the Board of Supervisors and other senior management members shall be delayed in payment. The total risk security deposits subject to delayed payment in 2013 are RMB8,245,500 and not paid to those individuals yet.

ii. Positions of directors and supervisors in shareholder entities during the reporting period

Name	Shareholder entity	Position	Tenure
Zou Libin	Shougang Corporation	Chief of Budget and Finance Department	Since September 2011
Christian K. Ricken	Deutsche Bank	Chief Operating Officer of Private & Business Clients, Member of Group Executive Committee	Since October 2008
Li Jianbo	Hongta Tobacco (Group) Co., Ltd.	Vice President	Since October 2008
Li Liangang	Runhua Group Co., Ltd.	Director	Since July 2009
Tian Ying	Beijing Sanjili Energy Co., Ltd.	Deputy General Manager & Chief Accountant	Since December 1999

iii. Professional experiences of directors, supervisors and senior management members and their positions or concurrent jobs in other entities during the reporting period

Wu Jian, Chairman of the Board of Directors, male, was born in March 1954. He holds a bachelor's degree and is a senior administration engineer and senior economist. He previously served as Deputy Head of the Equipment Credit Division of Beijing Branch of Industrial and Commercial Bank of China ("ICBC"), Deputy Head and Head of Chaoyang District Office of Beijing Branch of ICBC, Deputy General Manager and Member of Leading Party Group and then General Manager and Secretary of Leading Party Group of Beijing Branch of Bank of Communications, Member of Leading Party Group, Head of Discipline Inspection Team, Vice President and Member of the Party Committee of Bank of Communications; and Director, President and Deputy Secretary of the Party Committee of Hua Xia Bank. He currently serves as Chairman and Secretary of the Party Committee of Hua Xia Bank.

Fang Jianyi, Vice Chairman, male, was born in July 1953. He holds a master's degree and is a professor-level senior engineer. He served as Assistant General Manager and Manager of the Financial Department of Shougang NEC Electronics Co., Ltd., Deputy Head of the Financial Division of Shougang International Economic and Trade Department, Deputy Head of the Financial Division of the Business Department of China Shougang International Trade & Engineering Corporation ("Shougang International"), Assistant to General Manager of Shougang International, Deputy General Manager of Shougang Shipping Company, Head of the Financing Division of the Finance and Accounting Department of Shougang's overseas Headquarters and Deputy Head of the Finance and Accounting Department of Shougang overseas Headquarters, Deputy Head of the Development Department, and Financial Assistant to General Manager and Chief Accountant of Shougang Corporation.

Li Ruge, Vice Chairman, male, was born in August 1963. He holds a master's degree and is a senior accountant. He served as Deputy Director, Director and Member of the Party Committee of Shandong Heze Power Plant, General Manager and Member of the Party Committee of Shandong Power Supply Bureau Fuel Company, Head of the Financial Department of Shandong Power Supply Bureau, Vice Chief Accountant, Chief Accountant, Deputy General Manager and Member of the Party Committee of Shandong Power Group Corporation, Vice Chief Accountant of China Guodian Corporation, Chairman of State Grid Yingda International Trust Investment Corporation, Vice Chief Accountant, Head of the Financial Department and Head of the Fund Management Center of State Grid Corporation of China. He currently serves as Chief Accountant and Member of Leading Party Group of State Grid Corporation of China.

Zou Libin, Director, male, was born in September 1967. He holds a master's degree and is a senior accountant. He was ever a clerk of Malaysia Division of International Trade Department, JV Division of overseas Headquarters, JV Division of International Trade Department and Foreign Economic Division of Economic and Trade Department of Shougang, a professional of JV Management Division of Industrial Development Department of Shougang. Then he served as Assistant to Chief and Deputy Chief of Listed Company Management Division of Capital Operation Department of Shougang Corporation, Deputy Division Chief of Bodi Investment Co., Ltd., Deputy Chief of Treasury Division of Budget and Finance Department of Shougang Xingang Co., Ltd., and Assistant to Head and Head of Capital Operation Department and Head of Investment Management Department of Shougang Corporation. He currently serves as Head of Budget and Finance Department of Shougang Corporation.

Ding Shilong, male, was born in July 1963. He is a PhD in management and a senior accountant. He served as Deputy Chief and Chief of the General Financial Section of Henan Power Industry Bureau, Deputy Head of the Financial Division, Assistant Consultant (holding a temporary leading post) of Electric Regulation Division and State-owned Asset Supervision Division of the Electric Power Department and Associate Chief Accountant and Head of the Financial Division of Henan Power Company (Bureau). He later became Chief Accountant of Henan Power Company, Chairman of Henan Kaixiang Electric Power Industrial Holding Co., Ltd., Deputy Head of the Financial Asset Management Department of State Grid Corporation of China, Deputy General Manager and Member of Leading Party Group of SGCC Asset Management Co., Ltd., Deputy General Manager and Member of Leading Party Group of State Grid Yingda International Holdings Corporation, Ltd. He currently serves as Member of Leading Party Group, Deputy General Manager and Chief Accountant of State Grid Jibei Electric Power Company Limited.

Christian K. Ricken, Director, German, male, was born in December 1966. He is a PhD in political economy. He previously worked in financial department of Deutsche Bank and then served as Chief Director and Managing Director of Group Planning Division, Chief Director of Strategic and Controlling Division and Investment and Controlling Division, Global Director of Private & Business Clients (PBC) Finance Division, and Chief Financial Officer of PBC and acting Global Director of deposit & payment products. He currently serves as Chief Operating Officer of PBC as well as Member of PBC Executive Committee and Group Executive Committee.

Li Jianbo, Director, male, was born in June 1965. He holds a bachelor's degree and is a senior accountant. He was ever Deputy Chief and Chief of Planning and Statistics Section of Yuxi Cigarette Factory, and Deputy Chief Economist, Chief Economist, Director and Chairman of the Board of Supervisors of Hongta Tobacco (Group) Co., Ltd. He currently serves as Vice President of Hongta Tobacco (Group) Co., Ltd. and Chairman of the Board of Directors of Yunnan Hongta Group.

Fan Dazhi, Director and President, male, was born in September 1964. He is a PhD and senior accountant. He ever taught at Dongbei University of Finance and Economics, and served as General Manager of the Head Office of Investment Bank of Beijing International Trust and Investment Co, Ltd., Member of the Leading Party Group and Deputy Head of Beijing Overseas Financing and Investment Management Center, Member of the Leading Party Group, Director and Deputy General Manager of Beijing State-owned Assets Management Co., Ltd., Vice Secretary of the Party Committee, Director and General Manager of Beijing Securities Co., Ltd., Chairman of the Board of Supervisors of UBS Securities Company Limited, and Director, Deputy Secretary of the Party Committee, Vice President and Executive Vice President of Hua Xia Bank. He currently serves as Chairman, President and Deputy Secretary of the Party Committee of Hua Xia Bank.

Liu Chunhua, Director, Chief Audit Officer, female, was born in January 1970. She holds a master's degree and is a senior economist. She was ever Deputy Chief (divisional level) of Planning and Treasury Division of Jiangxi International Trust and Investment Corporation; Full-time Discipline Inspector of Discipline Inspection Team of Leading Party Group (divisional level) and Deputy Director of Inspection Office, General Manager of Human Resources Department, Deputy Leader of Preparatory Group of Hua Xia Bank Fund Company, Director of Inspection Office and Deputy Secretary of the Party Discipline Committee of Hua Xia Bank. She once temporarily served as Assistant to Director of Business Innovation Supervision & Cooperation Department of CBRC. She currently serves as Director, Member of the Party Committee, Secretary of the Party Discipline Committee and Chief Audit Officer of Hua Xia Bank.

Ren Yongguang, Director, Vice President, male, was born in December 1959. He holds a bachelor's degree, and is a senior economist. He used to be Deputy Head and Head of Foreign Fund Management Division, Head of Foreign Exchange Management Division, Director of Executive Office and Head of Plan Fund Division of Beijing Branch of the People's Bank of China ("PBOC"), Head of Credit Management Division of Business Management Department, Deputy Director and Member of Leading Party Group of Business Management Department of the PBOC, member of the Preparation Team for and Deputy Director General and Member of Leading Party Group of CBRC Beijing Office, Director, Vice President and Deputy Secretary of the Party Committee of Hua Xia Bank. He currently serves as Director, Vice President and Member of the Party Committee of Hua Xia Bank.

Zhao Junxue, Director, Secretary to the Board, male, was born in April 1958. He holds a master's degree, and is a senior economist. He served as Assistant to General Manager of South Branch of China National Packaging Corporation, Deputy General Manager and General Manager of Yuehai Finance Holding Co., Ltd., and Secretary of Leading Party Group and General Manager of Shenzhen Branch of Hua Xia Bank. He currently serves as Director and Secretary to the Board of Directors of Hua Xia Bank.

Pei Changhong, Independent Director, male, was born in May 1954. He is a PhD and researcher. He used to be Director of Beijing Municipal Institute of Rural Economy, Deputy Director, Member of Leading Party Group and senior economist of Beijing Municipal Research Center of Rural Economy, researcher and assistant to Deputy Director General of Institute of Finance and Trade Economics, Deputy Director and Director of Foreign Affairs Bureau, and tutor to PhD students of the Graduate School of the Chinese Academy of Social Sciences (CASS), and Director General of Institute of Finance and Trade Economics of CASS. He once held a temporary leading post of Vice Mayor of the People's Government of Hangzhou. He currently serves as Director General & Secretary of the Party Committee of the Institute of Economics of CASS.

Zeng Xiangquan, Independent Director, male, was born in November 1955. He is a PhD in economics, professor and tutor to PhD students. He is a professor of the School of Labor and Human Resources of Renmin University of China.

Yu Changchun, Independent Director, male, was born in February 1952. He is a PhD and professor. He used to be associate professor, dean of the teaching-research section and Deputy Dean of the Accounting Department of Jilin Finance and Trade College; Dean, professor and MA student adviser of the Accounting Department of Changchun Taxation College; Director of Teaching and Research Center, Professor and tutor to PhD students of Beijing National Accounting Institute.

Xiao Wei, Independent Director, male, was born in December 1960. He holds a master's degree and once Director of Hainan Office of China Legal Affairs Center. He established Jun He Law Offices in Beijing in 1989 and is the Offices' Director and Partner now.

Chen Yonghong, Independent Director, male, was born in December 1962. He holds a bachelor's degree and is a Chinese CPA and senior accountant. He was ever Senior Staff Member and Principal Staff Member of Investment Audit Division of Hunan Audit Office; Deputy Director and Director of Hunan Auditors Office and Chairman of the Board of Directors and Chief Accountant of Baker Tilly China. Now, he is Chief Partner of Baker Tilly China Certified Public Accountants.

Yang Delin, Independent Director, male, was born in April 1962. He is a PhD and professor. He once taught Physics at No. 2 Middle School of Xiangfan and Hubei Provincial Supply and Marketing Institute, was an engineer of (Planning Division) and Assistant Researchers of Mathematics Department Office of Department Co-office of Wuhan Institute of Physics, Chinese Academy of Sciences; held a temporary post of Deputy Director/Member of Party Leading Group of Lanzhou Economic Commission; and Lecturer and Associate Professor of School of Economics and Management of Tsinghua University. Now he is a Professor of School of Economics and Management of Tsinghua University.

Wang Huacheng, Independent Director, male, was born in January 1963. He is a PhD and professor. He was once Teaching Assistant, Lecturer and Associate Professor of Accounting Department of Renmin University of China. Now he is a Professor of School of Business of Renmin University of China.

Cheng Yanhong, Chairperson of the Board of Supervisors, female, was born in February 1958. She holds a bachelor's degree and is a senior accountant. She served as Deputy Head of the General Affairs Division, Deputy Head and Head of the Debt Division, Member of Leading Party Group and Deputy Director General of Beijing Municipal Bureau of Finance, Secretary of the Party Committee and General Manager of Beijing Securities Co., Ltd., Deputy Secretary and Secretary of the Beijing Finance Working Committee, Head of the Finance Office of Beijing Municipal Government, Chairman of the Board of Supervisors, Deputy Secretary of the Party Committee and Secretary of the Party Discipline Committee of Hua Xia Bank. She currently serves as Chairman of the Board of Supervisors and Deputy Secretary of the Party Committee of Hua Xia Bank.

Li Liangang, Supervisor, male, was born in May 1968. He holds a bachelor's degree, and is a senior economist. He used to be Deputy General Manager of the Finance Department of Shandong Office, and General Manager of the Shandong Securities Operations Department of China New Technology Venture Capital Company, Head of the Corporate Banking Division of Jinan Branch of Hua Xia Bank Co., Limited, Deputy Director of the Board of Directors' Office, Director of the Board of Directors' Office and Director of the President's Office, Secretary of the Board of Directors and Chief Financial Officer of Runhua Group. He currently serves as Director of Runhua Group Co., Ltd.

Tian Ying, Supervisor, female, was born in April 1965. She holds a master's degree, and is a senior accountant. She served as teacher of Beijing Finance College and Manager of the Fund and Finance Department of Beijing Sanjili Energy Co., Ltd. She currently serves as Deputy General Manager and Chief Accountant of Beijing Sanjili Energy Co., Ltd.

Cheng Chen, Supervisor, female, was born in March 1975. She holds an EMBA degree. She previously served as Deputy General Manager of Shanghai Giant Biotech Co., Ltd. She currently serves as Vice President of Giant Investment Ltd.

Gao Peiyong, External Supervisor, male, was born in January 1959. He is a PhD, Researcher and Dean of National Academy of Economic Strategy, CASS.

Qi Yudong, External Supervisor, male, was born in September 1966. He is a PhD, professor and tutor to PhD students. He once was a teacher of the Finance Department of Capital University of Economics and Business, Executive Associate Chief Editor of the *Journal of Capital University of Economics and Business*, Deputy Head of the Department of Enterprise Management, Executive Deputy Director of the MBA Education Center and Dean of the Business Administration College. He currently serves as Assistant to President of Capital University of Economics and Business and Dean of China *Institute* of Industrial Cluster.

Lu Zhifang, External Supervisor, male, was born in September 1953. He holds a bachelor's degree, and is an Associate Professor of Law and a lawyer. He was once a professor of University of International Business and Economics, and partner and lawyer of Haiwen & Partners. Now he is Partner and Lawyer of Hylands Law Firm.

Zhu Wei, External Supervisor, male, was born in August 1965. He holds a master's degree, and is a senior economist and Chinese CPA. He was ever Deputy Division Chief of Industrial Transportation Department and Economic and Trade Department of the Ministry of Finance, Director and Deputy General Manager of Zhong Sheng Environmental Protection Technology Development and Investment Co., Ltd. Now, he is Chief Partner of Jonten Certified Public Accountants.

Li Guopeng, Employee Supervisor, male, was born in February 1955. He holds a master's degree, and is a senior economist. He served as Deputy Director of the Financial Research Institute and Deputy Head of the Financial System Reform Office, Head of the Survey Information Division of Shandong Branch of the People's Bank of China, and Head of Tai'an Branch of PBOC and Director General and Secretary of Leading Party Group of Tai'an Branch of State Administrative of Foreign Exchange. He successively took several positions in Hua Xia Bank, including Secretary of Leading Party Group and General Manager of Ji'nan Branch, Assistant to President, Member of Leading Party Group, Vice President and Secretary of Leading Party Group of the Business Department of the Head Office, General Manager, Vice President and Member of the Party Committee, and Chairman of the Labor Union and Member of the Party Committee of Hua Xia Bank. He currently serves as Employee Supervisor of Hua Xia Bank.

Li Qi, Employee Supervisor, male, was born in August 1958. He holds a bachelor's degree, and is a senior economist. He once was a teacher of the Law Department of Shandong University, Deputy General Manager of Rural Credit Cooperative of China in Shandong and Deputy General Manager of Shandong Yingtai Group Corporation. He took several positions in Hua Xia Bank, including Head of the Audit and Compliance Department of Ji'nan Branch, Member of the Discipline Inspection Committee, General Manager of the Legal Affairs Department and Special Assets Resolution Department, Secretary of the Party Committee and General Manager of Chongqing Branch as well as Employee Supervisor, General Manager of the Audit Department and Member of the Discipline Inspection Committee. He currently serves as Employee Supervisor, general manager candidate of the Audit Department and Member of the Discipline Inspection Committee of Hua Xia Bank.

Wang Liying, Employee Supervisor, female, was born in May 1962. She holds a bachelor's degree, and is a senior accountant. She was ever Deputy Director of Taiyuan Audit Office of Shanxi Branch of China Construction Bank, Chief of Budget and Finance Division & Director of Bills Center of Taiyuan Sub-branch of Hua Xia Bank, Vice President and Member of Party Committee of Taiyuan Branch of Hua Xia Bank, Vice President and Member of Party Committee of Tianjin Branch of Hua Xia Bank, and Deputy General Manager and General Manager of Compliance Department of Hua Xia Bank. Now she is Employee Supervisor, Director of Inspection Office and Deputy Secretary of the Party Discipline Committee of Hua Xia Bank.

Wang Yaoting, Vice President, male, was born in July 1963. He is a PhD and senior economist. He served as Deputy Head of the Teaching Materials Division of the Education Department of the People's Bank of China and previously took several positions in Hua Xia Bank, including Head of the Securities Department and General Manager of the Securities Business Department, Assistant to President and General Manager of the Business Department, General Manager and Secretary of the Party Committee of Hangzhou Branch, Assistant to President of Hua Xia Bank, Vice President and Member of Leading Party Group of Hua Xia Bank (& also General Manager of Information Technology Department and Director of Collective Project Development Office). He currently serves as Vice President and Member of the Party Committee of Hua Xia Bank.

Li Xiang, Vice President, male, was born in December 1957. He holds a master's degree, and is a senior economist. He served as Secretary of deputy division level of General Office of Jiangsu Provincial Government and took several positions in Hua Xia Bank, including Head of the Banking Department, Member of the Leading Party Group, Deputy General Manager, Secretary of the Leading Party Group (the Party Committee) and General Manager of Nanjing Branch, and Assistant to President (concurrently General Manager of the Corporate Banking Department) of Hua Xia Bank. He currently serves as Vice President and Member of the Party Committee of Hua Xia Bank.

Huang Jinlao, Vice President, male, was born in September 1972. He is a PhD and an expert receiving special allowance from the State Council. He previously served as Deputy Director of the Domestic Finance Research Office and Director of Research Office of the International Finance Research Institute of Bank of China (BOC), held a temporary leading post of Assistant to Governor of Yanbian Korean Autonomous Prefecture, Jilin Province, Chief Marketing Supervisor of the Personal Banking Department, Deputy Head of the Executive Office, and Chief Supervisor of Customer Relations Management of the Corporate Banking Unit of BOC. He currently serves as Vice President and Member of the Party Committee of Hua Xia Bank.

Guan Wenjie, Principal of Financial Affairs, male, was born in October 1970. He holds a master's degree, and is a senior accountant. He was once Deputy Chief (in charge of specific work) and Chief of Budget & Finance Division of Qingdao Sub-branch of Hua Xia Bank, General Manager of Budget & Finance Department of Qingdao Branch of Hua Xia Bank, Vice President and Member of Party Committee of Qingdao Branch of Hua Xia Bank, President and Secretary of Party Committee of Qingdao Branch of Hua Xia Bank and General Manager of Accounting Department of Hua Xia Bank. He currently serves as Principal of Financial Affairs and General Manager of Budget & Finance Department of Hua Xia Bank.

Name	Position or concurrent position in other entities excluding shareholder entities
Wu Jian	None
Fang Jianyi	None
Li Ruge	Chief Accountant and Member of Leading Party Group of State Grid Corporation of China
Zou Libin	Director of Beijing Jingxi Venture Capital Fund Management Co., Ltd., Director of Beijing Shougang Construction Investment Co., Ltd., Director of Shougang Shuicheng Iron & Steel (Group) Co., Ltd., Supervisor of Jiang Tai Insurance Brokers Co., Ltd. and Supervisor of China Bond Insurance Corporation
Ding Shilong	Member of Leading Party Group, Deputy General Manager and Chief Accountant of State Grid Jibei Electric Power Company Limited, Director of State Grid Yingda Chang'an Insurance Brokers Group Co., Ltd.
Christian K. Ricken	None
Li Jianbo	Chairman of Yunnan Hongta Group Co., Ltd., Chairman of Yunnan Hongta Sports Center Co., Ltd., Vice Chairman of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. and Director of Hongta Securities Co., Ltd.
Fan Dazhi	None
Liu Chunhua	None
Ren Yongguang	Chairman of Huaxia Financial Leasing Co., Ltd.
Zhao Junxue	None
Zeng Xiangquan	Professor of the School of Labor and Human Resources, Renmin University of China
Yu Changchun	Professor of Beijing National Accounting Institute, and Independent Director of China National Heavy Duty Truck Group Co., Ltd.
Pei Changhong	Director General of the Institute of Economics of the Chinese Academy of Social Sciences; Independent Director of Hangzhou Silan Microelectronics Co., Ltd.
Xiao Wei	Director and Partner of Jun He Law Offices
Chen Yonghong	Chief Partner of Baker Tilly China Certified Public Accountants
Yang Delin	Professor of School of Economics and Management of Tsinghua University
Wang Huacheng	Professor of School of Business of Renmin University of China
Cheng Yanhong	None
Li Liangang	None
Tian Ying	None
Cheng Chen	Vice General Manager of Giant Investment Co., Ltd., Director of Guangxi Beibu Gulf Bank Co., Ltd.
Gao Peiyong	Researcher and Dean of National Academy of Economic Strategy, CASS and Independent Director of Changjiang Securities Co., Ltd.
Qi Yudong	Assistant to the President of Capital University of Economics and Business, Director of China Center for the Research of Industrial Economics, Independent Director of Huaneng Power International Inc. and Shenzhen Fountain Corporation
Lu Zhifang	Partner and Lawyer of Hylands Law Firm
Zhu Wei	Chief Partner of Jonten Certified Public Accountants and Independent Director of JoinCheer and East China Pharmaceuticals
Li Guopeng	None

Name	Position or concurrent position in other entities excluding shareholder entities
Li Qi	Chairman of the Board of Supervisors of Daxing Hua Xia Village Bank, Chairman of the Board of Supervisors of Jiangyou Hua Xia Village Bank, Chairman of the Board of Supervisors of Chenggong Hua Xia Village Bank, Chairman of the Board of Supervisors of Huaxia Financial Leasing Co., Ltd.
Wang Liying	None
Wang Yaoting	None
Li Xiang	None
Huang Jinlao	None
Guan Wenjie	Director of Huaxia Financial Leasing Co., Ltd.

iv. Remunerations to directors, supervisors and senior management members during the reporting period

1. Decision-making procedures for remunerations to directors, supervisors and senior management members

The Remuneration and Assessment Committee of the Board of Directors examines annual allowances of directors and supervisors in accordance with the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors* and in combination with the annual duty performance of directors and supervisors. Relevant announcement is published after review and approval of the Board of Directors.

The Remuneration and Assessment Committee of the Board of Directors studies and proposes bonus allocation plan for senior management members in accordance with the *Administrative Measures for Remunerations to Head Office-level Senior Management of Hua Xia Bank* and the *Working Process of Remunerations to and Annual Appraisals of Head Office-level Senior Management of Hua Xia Bank* and in combination with the completion of the Company's major business indicators and the annual appraisal results of senior management. Annual appraisal results of and remunerations to senior management members are announced after review and approval of the Board of Directors.

The Remuneration and Assessment Committee of the Board of Directors examined remuneration data of directors, supervisors and senior management members to be disclosed in the Annual Report 2014 of the Company. In the opinion of the committee, the remunerations to directors, supervisors and senior management members to be disclosed in the Annual Report 2014 of the Company comply with relevant assessment system and remuneration management policy of the Company, and are paid in overall consideration of the prevailing economic conditions, macro-control policy of China as well as actual operations of the Company and its peers, and the disclosure meets requirements of relevant laws and regulations.

2. Basis for determining remunerations to directors, supervisors and senior management members

Remunerations to directors and supervisors are determined on the basis of the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors* and remunerations to senior management members are determined on the basis of the *Administrative Measures for Remunerations to Head Office-level Senior Management of Hua Xia Bank*.

3. Remunerations payable to directors, supervisors and senior management members

Please refer to the “Changes in shares held by directors, supervisors and senior management members and their remunerations” in this Section for details.

4. Total remunerations actually paid to directors, supervisors and senior management members at the end of the reporting period

At the end of the reporting period, RMB31,928,000 (before tax) was actually paid to all of the directors, supervisors and senior management members.

v. Changes in directors, supervisors and senior management members

In February 2014, the Employees’ Congress of the Company in 2014 elected Ms. Cheng Yanhong, Mr. Li Guopeng, Mr. Li Qi and Ms. Wang Liying to be employee supervisors of the Seventh Board of Supervisors whose tenure started from 27 February 2014.

On 27 February 2014, the First Extraordinary Shareholders’ General Meeting of the Company in 2014 elected Mr. Fang Jianyi, Mr. Zou Libin, Mr. Li Ruge, Mr. Ding Shilong, Mr. Christian K. Ricken, Mr. Choo Nyen Fui, Mr. Li Jianbo, Mr. Wu Jian, Mr. Fan Dazhi, Ms. Liu Chunhua, Mr. Ren Yongguang and Mr. Zhao Junxue to be the members of the Seventh Board of Directors, and elected Mr. Pei Changhong, Mr. Zeng Xiangquan, Mr. Yu Changchun, Mr. Xiao Wei, Mr. Chen Yonghong, Mr. Yang Delin and Mr. Wang Huacheng to be independent directors of the Seventh Board of Directors. The meeting also elected Mr. Li Liangang, Ms. Tian Ying and Ms. Cheng Chen to be members of the Seventh Board of Supervisors, and elected Mr. Gao Peiyong, Mr. Qi Yudong, Mr. Lu Zhifang and Mr. Zhu Wei to be external supervisors of the Seventh Board of Supervisors.

On 27 February 2014, the First Meeting of the Seventh Board of Directors of the Company elected Mr. Wu Jian to be the Chairman of the Board of Directors, elected Mr. Fang Jianyi and Mr. Li Ruge to Vice Chairman, engaged Mr. Fan Dazhi to be President, Mr. Ren Yongguang, Mr. Wang Yaoting, Mr. Li Xiang and Mr. Huang Jinlao to be Vice President, Mr. Zhao Junxue to be the Secretary to the Board of Directors and Mr. Guan Wenjie to be the Principal of Financial Affairs.

On 27 February 2014, the First Meeting of the Seventh Board of Supervisors of the Company elected Ms. Cheng Yanhong to be the Chairman of the Board of Supervisors.

On 30 June 2014, Mr. Choo Nyen Fui resigned from the post of the Company’s director due to his personal reason.

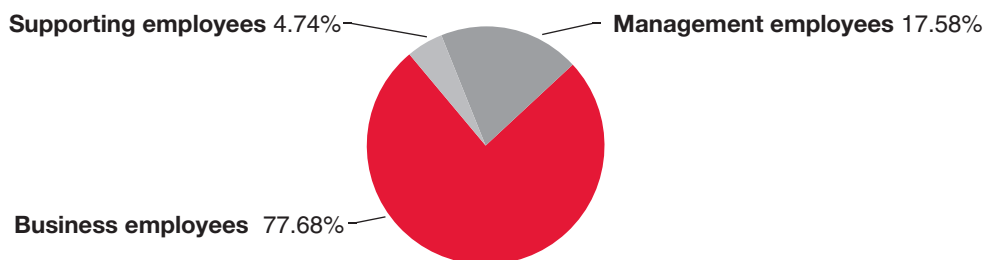
On 13 April 2015, Mr. Pei Changhong resigned from the posts of the Company’s independent director and member of relevant committees of the Board of Directors according to applicable provisions.

On 13 April 2015, Mr. Gao Peiyong and Mr. Qi Yudong resigned from the posts of the Company’s external supervisor and members of relevant committees of the Board of Supervisors according to applicable provisions. And Mr. Lu Zhifang resigned from the posts of the Company’s external supervisor and member of relevant committees of the Board of Supervisors due to official reason. Whereas the resign of Mr. Gao Peiyong, Mr. Qi Yudong and Mr. Lu Zhifang will cause the number of the Company’s external supervisors to be lower than relevant legal requirement, the three external supervisors will continue to perform the functions and powers of external supervisors before the election of new external supervisors at the Shareholders’ General Meeting.

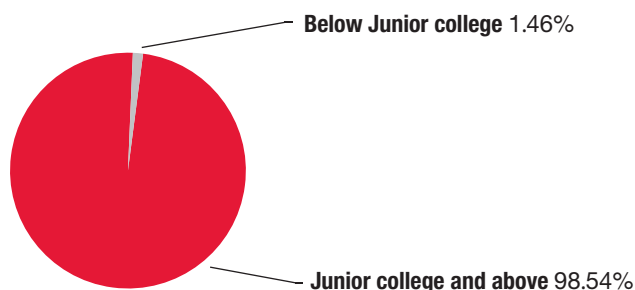
II. EMPLOYEES

At the end of the reporting period, the Group had 27835 service employees, including 27657 ones working in the Company and 178 ones working in the major subsidiaries. The Group paid for 294 retired employees.

i. The Company's employees by professional field



ii. The Company's employees by educational background



iii. Remuneration policy and training plan of the Company

During the reporting period, centering on bank-wide development strategy and operation targets, the Company improved performance appraisal system, strengthened capital constraints, stepped up asset quality and risk compliance management, and promoted operational transformation and structural adjustment, which enhanced incentive and restrictive role of remuneration.

With keen attention to employee training and development and as per bank-wide development planning, the Company constantly ameliorated the training system, optimized the training programs, enriched the training contents and advanced the building of the three teams on operation management, expertise and business operation, which helped to enhance the professional competence and overall quality of employees.

CORPORATE GOVERNANCE

I. EXPLANATIONS ON CORPORATE GOVERNANCE AND REGISTRATION MANAGEMENT OF INSIDERS

The Company earnestly implements regulatory requirements on corporate governance, continuously improves corporate governance framework, brings more discipline to the operation of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management in accordance with the *Company Law*, the *Commercial Bank Law*, the *Securities Law*, the *Governance Standards of Listed Companies*, the *Guidelines on Corporate Governance of Commercial Banks*, the *Guidelines on the Work of the Board of Supervisors of Commercial Banks* and other relevant laws and regulations. The core objective is to maximize long-term values for shareholders on the premise of respecting and protecting the interests of depositors.

The Company formulated the *Registration Management System of Insiders of Hua Xia Bank Co., Limited*, providing for inside information, scope of insiders and registration and filing of insiders, which was revised in accordance with CSRC's relevant rules in 2011. The Company registered and filed insiders in strict compliance with pertinent laws and regulations as well as the *Registration Management System of Insiders of Hua Xia Bank Co., Limited*.

II. BRIEFING OF THE SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company called and held two general meetings and adopted 16 resolutions in strict accordance with the *Rules on the Shareholders' General Meetings of Listed Companies*, the Articles of Association and the procedural rules for the Shareholders' General Meeting. The Company established and improved effective channels of communication with shareholders, increased representation of public shareholders at the general meetings through online voting and ensured equality of shareholders and their full exercise of rights, including the rights to be informed of, participate in and vote on significant matters of the Company.

General Meeting	Date	Proposal	Resolution	Website designated for publishing resolution	Disclosure date
The First Extraordinary Shareholders' General Meeting in 2014	27 February 2014	Three proposals: Proposal on Reelection of the Board of Directors, Proposal on Reelection of the Board of Supervisors and Proposal on Engagement of Accounting Firm for 2015.	Reviewed and approved the aforementioned proposals	http://www.sse.com.cn	28 February 2014
Annual General Meeting for 2013	22 May 2014	13 Proposals: Working Report of the Board of Directors of Hua Xia Bank Co., Limited in 2013, Work Report of the Board of Supervisors of Hua Xia Bank Co., Limited in 2013, Financial Accounts Report of Hua Xia Bank Co., Limited in 2013, Profit Distribution Plan of Hua Xia Bank Co., Limited for 2013, Financial Budget Report of Hua Xia Bank Co., Limited in 2014, Proposal on Engagement of the Accounting Firm for 2014 and Its Remuneration, Proposal on Amendments to Implementation Rules on Investment Decision-making Authorities of Hua Xia Bank, Report on Implementation of Related Party Transactions Management System and Related Party Transactions of Hua Xia Bank Co., Limited in 2013, Proposal on Credit Facilities of Hua Xia Bank Co., Limited to Shougang Corporation and Its Related Companies, Proposal on Credit Facilities of Hua Xia Bank Co., Limited to State Grid Yingda International Holdings Corporation, Ltd. and Its Related Companies, Proposal on Credit Facilities of Hua Xia Bank Co., Limited to Huaxia Financial Leasing Co., Ltd., Report on Assessment of Duty Performance of the Board of Directors and Directors in 2013 by the Board of Supervisors of Hua Xia Bank Co., Limited, and Report on Assessment of Duty Performance of Supervisors in 2013 by the Board of Supervisors of Hua Xia Bank Co., Limited.	Reviewed and approved the aforementioned proposals	http://www.sse.com.cn	23 May 2014

III. DUTY PERFORMANCE OF THE DIRECTORS

i. Attendance of directors at board meetings and General Meetings

Director	Independent Director (Yes or no)	Attendance at Board Meeting						Attendance at General Meeting
		Board meetings to be attended this year	Meetings attended in person	Meetings attended by correspondence	Meetings attended by proxy	Absence	Absent from two consecutive meetings (Yes or no)	General Meeting attended
Wu Jian	No	8	8	3	0	0	No	2
Fang Jianyi	No	8	6	3	2	0	Yes	2
Li Ruge	No	8	8	3	0	0	No	0
Zou Libin	No	7	7	3	0	0	No	1
Ding Shilong	No	8	8	3	0	0	No	0
Christian K. Ricken	No	8	6	3	2	0	No	0
Li Jianbo	No	7	5	3	2	0	No	1
Fan Dazhi	No	8	8	3	0	0	No	2
Liu Chunhua	No	7	7	3	0	0	No	1
Ren Yongguang	No	8	8	3	0	0	No	1
Zhao Junxue	No	8	8	3	0	0	No	2
Pei Changhong	Yes	8	7	3	1	0	No	0
Zeng Xianguan	Yes	8	6	3	2	0	No	1
Yu Changchun	Yes	8	8	3	0	0	No	1
Xiao Wei	Yes	7	7	3	0	0	No	0
Chen Yonghong	Yes	7	6	3	1	0	No	1
Yang Delin	Yes	7	6	3	1	0	No	1
Wang Huacheng	Yes	7	6	3	1	0	No	1
Choo Nyen Fui	No	5	5	3	0	0	No	0
Robert John Rankin	No	1	1	0	0	0	No	0
Zhang Meng	No	1	0	0	1	0	No	0
Luo Xiaoyuan	Yes	1	1	0	0	0	No	0
Sheng Jiemin	Yes	1	1	0	0	0	No	0
Lu Jianping	Yes	1	1	0	0	0	No	0
Xiao Weiqiang	Yes	1	0	0	1	0	No	0

Explanation on being absent from two consecutive board meetings: Vice Chairman Fang Jianyi failed to attend the Sixth and Seventh Meetings of the Seventh Board of Directors in person due to official reason, but he has entrusted other participating director to be present in a written form in strict accordance with the Articles of Association, so he exercised the voting power in compliance with laws and regulations and performed the due functions and powers as a director.

Number of Board meetings held this year	8
Of which: Number of onsite meetings	5
Number of meetings held by correspondence	3

ii. Dissents of Independent Directors on relevant issues of the Company

During the reporting period, Independent Directors did not raise any dissents on relevant issues of the Company.

During the reporting period, there were seven Independent Directors on the Board of Directors of the Company, accounting for over one third of its members. They earnestly attended meetings and reviewed proposals, performed the role of conveners for the Risk Management Committee (changed to “Risk and Compliance Management Committee” as of October 2014, hereinafter the same), the Related Party Transactions Control Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Audit Committee and gave professional opinions on corporate governance and operational management activities in the interest of depositors and minority shareholders pursuant to laws, regulations and the Articles of Association.

IV. IMPORTANT OPINIONS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS IN THE PERFORMANCE OF THEIR DUTIES DURING THE REPORTING PERIOD

During the reporting period, all special committees of the Board of Directors operated in a well-disciplined manner and seriously performed their duties.

The Strategy Committee held one meeting, reviewing the proposals on its annual work plan and the report on the implementation of the outline of the Company’s development program 2013-2016.

The Risk Management Committee held four meetings, reviewing the proposals on its annual work plan, the Company’s 2013 risk management report, the 2014 risk management strategy, the outsourcing risk management policy, the business continuity management policy, the amendments to bad loan write-off management measures, the outsourced business scope and relevant arrangement, the report on liquidity risk management in the first half of 2014, the report on operational risk management in the first half of 2014, the report on market risk management in the first three quarters of 2014, the amendments to reputational risk management measures and the report on current credit asset quality.

The Related Party Transactions Control Committee held two meetings, reviewing the proposals on its annual work plan, the report on implementation of related party transactions management system and related party transactions, the proposals on credit facilities to top three shareholders and their related companies as well as to Huaxia Financial Leasing Co., Ltd., and the amendments to related party transactions management measures.

The Nomination Committee held four meetings, reviewing the proposals on its annual work plan, the examination of qualification of candidates to president, secretary to the Board of Directors, vice president and principal of financial affairs and the examination of quality of director candidate Mr. Robert Vogtle.

The Remuneration and Assessment Committee held three meetings, reviewing the proposals on its annual work plan, the Company’s bonus pool and bonus allocation for Head Office-level senior management members in 2013, the disclosure of remunerations to the Company’s directors, supervisors and senior management members in the Annual Report 2013 and the return of part of risk security deposits for 2011 and 2012 to Head Office-level senior management members.

The Audit Committee held five meetings, reviewing the proposals on its annual work plan, the report on duty performance of the Committee in 2013, the Company's regular reports, the final accounts report in 2013, the profit distribution plan in 2013, the budget plan for 2014, the report on audit work in 2013, the assessment report on internal controls of the Company in 2013, the audit report on internal controls of the Company in 2013, the 2013 auditor's report under International Accounting Standards, the audit plan for 2014, the proposal on engagement of accounting firm for 2014 and its remuneration, the report on audit work in the first half of 2014, the 2014 internal control assessment plan, the 2014 performance contract of the Audit Department, the implementation rules on assessment of staff of the Audit Department and the retroactive treatment of relevant items in the financial report.

V. EXPLANATION ON THE DETECTION OF THE COMPANY'S RISK EXPOSURES BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors supervised duty performance of the Company's directors and senior management members, financial decisions and their implementation, internal control construction and risk management, having no dissents on those matters under supervision.

During the reporting period, the Board of Supervisors held seven meetings and adopted 22 resolutions covering the Company's regular reports, financial statements, special inspection reports, internal control assessment report and social responsibility report in accordance with the Articles of Association of the Company and the procedural rules for the Board of Supervisors. The Board of Supervisors launched seven inspections and investigations, including discussion with the operation panel, supervision and inspection of duty performance of directors and senior management members, listening to the report on internal audit work performance after reform of the Company's internal audit system by the Audit Department of the Head Office and the audit work arrangement for 2014, the updates on the Company's implementation of the New Basel Capital Accord by the Budget and Finance Department of the Head Office and the report on the Company's development of the "Second Bank" by the E-banking Department of the Head Office, examined the case prevention efforts of Chengdu Branch and made field survey on the Company's comprehensive risk management mechanism building. All Supervisors diligently worked, adequately attended meetings as required, performed supervisory functions pursuant to laws, regulations and the Articles of Association, and organized and participated in special inspections with due diligence. External Supervisors adequately attended meetings, earnestly reviewed proposals and gave independent opinions with due diligence pursuant to laws, regulations and the Articles of Association. They played the role of convener for special committees and organized and participated in special inspections and investigations of the Board of Supervisors.

VI. EXPLANATION ON INABILITY TO ENSURE INDEPENDENCE OR INDEPENDENT OPERATION IN THE ASPECTS OF BUSINESS, PERSONNEL, ASSET, INSTITUTION AND FINANCE BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER

Not applicable.

VII. ASSESSMENT MECHANISM WITH RESPECT TO THE SENIOR MANAGEMENT MEMBERS AS WELL AS ESTABLISHMENT AND IMPLEMENTATION OF THE INCENTIVE MECHANISM DURING THE REPORTING PERIOD

The Company engages senior management members through external recruitment and internal selection. Senior management members are appointed by the Board of Directors and their qualifications shall be submitted to CBRC for review. Senior management members are overseen in respect of any violation of laws, regulations or the Articles of Association or any misconduct against corporate interests. In addition to an order of correction issued, such violations and misconducts will be reported to the Shareholders' General Meeting or competent authorities of the State where necessary.

During the reporting period, the Remuneration and Assessment Committee of the Board of Directors assessed duty performance of senior management members in 2013 in accordance with the *Measures for Annual Assessment of Head Office-level Senior Management Members of Hua Xia Bank*, including fulfillment of main annual operating indicators of the Company determined by the Board of Directors, performance indicators of senior management members by business/field in charge and directors' appraisals. Senior management members were assessed on the following principles: ensuring realization of planned objectives under the guidance of the development program; combining quantitative and qualitative indicators based on key performance indicators; representing duty matching, deferred payment and risk deduction, considering both team and personal performance of the Senior Management. The Remuneration and Assessment Committee proposed bonus allocation plan for senior management in accordance with the *Administrative Measures for Remunerations to Head Office-level Senior Management Members of Hua Xia Bank*. Besides, the Board of Supervisors and its Audit Committee assessed performance of duties by senior management members in compliance with laws and regulations in 2013. Assessment results of the Remuneration and Assessment Committee and appraisals of the Board of Supervisors constitute an important basis for performance assessment of senior management members and incentive and restrictive decisions related to senior management members.

VIII. INFORMATION DISCLOSURE AND INVESTOR RELATIONS MANAGEMENT

The Company regulates day-to-day information disclosures pursuant to the State's laws and regulations, regulatory provisions and the Company's policies to effectively protect investors' right to know, ensure authenticity, accuracy, completeness and timeliness of the information disclosed and safeguard investors' interests. During the reporting period, the Company prepared and disclosed four regular reports and 32 interim reports and informed the investors of such significant information as financial data, related party transactions and profit distribution plan on a timely basis.

During the reporting period, the Company further deepened investor relations management. It maintained routine contacts and communications with investors via telephone, fax and e-mail and held such activities as meetings for investors and analysts and special investigations of analysts to make the Company better known by the market and enhance investors' acceptance of the Company's values.

INTERNAL CONTROL

I. STATEMENT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL RESPONSIBILITIES

To establish, improve and effectively implement internal control, assess its effectiveness and truthfully disclose the internal control assessment report pursuant to the rules of the system of enterprise internal control standards are the responsibilities of the Board of Directors of the Bank. The Board of Supervisors supervises the internal control establishment and implementation by the Board of Directors. And the Management is responsible for organizing and leading day-to-day operation of the Company's internal control. The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management Members of the Company hereby guarantee that the Report contains no false records, misleading statements or major omissions, and agree to be individually and jointly responsible for the authenticity, accuracy and completeness of the Report.

The target for the internal control of the Company is to reasonably assure its operation and management are in compliance with relevant laws and regulations, its assets safety, as well as the authenticity and completeness of its financial reporting and relevant information, to enhance operation efficiency and effectiveness, and to facilitate the Company to achieve its development strategy. Due to inherent limitations of internal control, only reasonable assurance can be provided for the above target. Besides, to speculate the effectiveness of future internal control based on internal control assessment results is risky because situational changes may lead to inappropriate internal control or impair compliance with control policy or procedure.

II. INTERNAL CONTROL BASIS AND INTERNAL CONTROL SYSTEM CONSTRUCTION

During the reporting period, the Company continued to improve internal control according to the Basic Standard for Enterprise Internal Control and its supporting guidelines. First, it carried out the *Comprehensive Internal Control Program of Hua Xia Bank*, gave full play to the role of the risk management and internal control committees in managing risks, actively practiced the internal control & compliance risk joint meeting mechanism and shared the risk treatment information. Second, it improved business policy management measures and stressed the compliance and effectiveness of policy management to ensure all business policies meet legal and regulatory requirements. Third, it further promoted process construction, collated and established 432 business processes, illustrated operational links along the business process in sequence through flow charts, defined operational requirements of each posts and required all links to fulfill risk control and management requirements. Fourth, it constantly pushed forward post assessment of internal control policies, assessed the impacts of changes in regulatory rules, regulators' inspection findings, suggestions on policy improvement and customer complaints on policies, tried best to make internal control system ever better, reinforced risk prevention and enhanced the applicability of processes. At the end of the reporting period, the Company had developed more than 790 effective internal control policies, thus establishing a comprehensive internal control system covering all the businesses, products and risk points.

III. REPORT ON THE INTERNAL CONTROL SELF-ASSESSMENT

The Board of Directors assessed the effectiveness of the Company's internal control as at 31 December 2014 (the base date of Internal Control Assessment Report) in line with the requirements of the *Basic Standard for Enterprise Internal Control* and its supporting guidelines.

During the reporting period, the Company amended the Manual on Internal Control Assessment of Hua Xia Bank, developed the assessment plan, established and improved the internal control assessment system. It highlighted high-risk areas, conducted onsite testing, analyzed and identified any deficiencies found based on the deficiency identification standard and oversaw the rectification of deficiencies. Besides meeting the requirement on internal control information disclosure by listed companies, internal control assessment effectively and increasingly lifted the Company's internal control management level.

Based on the identification of material deficiencies of internal control over the Company's financial reporting, the Company did not discover any material internal control deficiencies in the financial reporting as at the base date of Internal Control Assessment Report. In the opinion of the Board of Directors, the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the requirements of the system of enterprise internal control standards and relevant regulations. Based on the identification of material deficiencies of internal control over the Company's non-financial reporting, the Company did not discover any material internal control deficiencies in the non-financial reporting as at the base date of Internal Control Assessment Report. None factors that might jeopardize the above assessment conclusion of internal control effectiveness have occurred during the period from the base date of Internal Control Assessment Report to its issuance date. For details, please refer to the *2014 Internal Control Assessment Report of Hua Xia Bank Co., Limited* disclosed by the Company.

IV. EXPLANATION ON AUDITOR'S REPORT ON INTERNAL CONTROL

The Company invited Deloitte Touche Tohmatsu Certified Public Accountants LLP to perform an audit of the effectiveness of internal control over financial reporting of the Company in accordance with the requirements of the *Basic Standard for Enterprise Internal Control* and the *Guideline for Enterprise Internal Control Audit*. The auditor deems that the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the *Basic Standard for Enterprise Internal Control* and relevant regulations. For details, please refer to the *Auditor's Report on Internal Control of Hua Xia Bank Co., Limited* disclosed by the Company.

V. ESTABLISHMENT AND IMPLEMENTATION OF THE ACCOUNTABILITY SYSTEM FOR MATERIAL ERRORS IN THE ANNUAL REPORT

The Company developed the *System of Accountability for Material Errors in Annual Report Disclosures of Hua Xia Bank Co., Limited* providing for forms and varieties of accountability for material errors in annual report disclosures, which was reviewed and approved at the Third Meeting of the Sixth Board of Directors. During the reporting period, the Company made no correction to material accounting errors or supplementation to major information omissions.

FINANCIAL STATEMENTS

I. Auditor's Report (see Appendix)

II. Financial Statements (see Appendix)

III. Changes in Accounting Policies and Estimates and Corrections of Accounting Errors during the Reporting Period

The Company's investment in China UnionPay Co., Ltd. and Visa Inc. were reclassified as available-for-sale financial assets based on the definition of long-term equity investment specified in *the Accounting Standards for Business Enterprises No. 2-Long-term Equity Investment*.

(Unit: RMB1 million)

Investee	Basic information on transaction	Equity attributable to shareholders of the parent company on 1 January 2013 (+/-)	31 December 2013		
			Long-term equity investment (+/-)	Available-for-sale financial assets (+/-)	Equity attributable to shareholders of the parent company (+/-)
China UnionPay Co., Ltd			-81	+81	
VISA International			-1	+1	
Total	-		-82	+82	

LIST OF DOCUMENTS FOR INSPECTION

- I. Accounting Statements Bearing Seals and Signatures of the Legal Representative, President, and Principal of Financial Affairs.
- II. Original of the Auditor's Report Bearing Common Seal of the Accounting Firm and Seals and Signatures of CPAs.
- III. Original of the Annual Report Bearing the Signature of Chairman of the Company.
- IV. Originals of All Documents and Announcements Disclosed by the Company on the *China Securities Journal*, *Shanghai Securities News* and *Securities Times* during the Reporting Period. And
- V. Articles of Association of Hua Xia Bank Co., Limited.

Chairman: Wu Jian

Board of Directors of Hua Xia Bank Co., Limited

15 April 2015

WRITTEN CONFIRMATION OF THE ANNUAL REPORT 2014 BY DIRECTORS AND SENIOR MANAGEMENT MEMBERS OF HUA XIA BANK CO., LIMITED

Pursuant to relevant provisions and requirements of the *Securities Law of the People's Republic of China* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies that Offer Securities to the Public No. 2 — Contents and Formats of Annual Reports* (Revision 2014), we, in the capacity of Directors and Senior Management Members of Hua Xia Bank Co., Limited, after a full understanding and review of the Annual Report 2014 of the Company and its summary, are in the opinion that:

1. The Company operates in strict compliance with the *Accounting Standards for Business Enterprises* and its application guidelines; the Annual Report 2014 of the Company and its summary present the financial position and operating results of the Company during the reporting period in a fair way.

2. The *Auditor's Report 2014 of Hua Xia Bank Co., Limited* issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP is true, objective and impartial.

We undertake that the information contained in the Annual Report 2014 of the Company and its summary is authentic, accurate and complete without any false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of the information herein.

15 April 2015

Name	Position	Signature
Wu Jian	Chairman	
Fang Jianyi	Vice Chairman	
Li Ruge	Vice Chairman	
Zou Libin	Director	
Ding Shilong	Director	
Christian K. Ricken	Director	
Li Jianbo	Director	

Name	Position	Signature
Fan Dazhi	Director, President	
Liu Chunhua	Director, CAO	
Ren Yongguang	Director, Vice President	
Zhao Junxue	Director, Secretary to the Board of Directors	
Zeng Xiangquan	Independent Director	
Yu Changchun	Independent Director	
Xiao Wei	Independent Director	
Chen Yonghong	Independent Director	
Yang Delin	Independent Director	
Wang Huacheng	Independent Director	
Wang Yaoting	Vice President	
Li Xiang	Vice President	
Huang Jinlao	Vice President	
Guan Wenjie	Principal of Financial Affairs	

AUDIT REPORT

D.SH.B. (SH) Z. (15) No. P0105

To the shareholders of Hua Xia Bank Co., Limited,

We have audited the financial statements of Hua Xia Bank Co., Limited (the "Bank"), which comprise bank and consolidated balance sheet as at 31 December 2014, the bank and consolidated income statement, bank and consolidated statement of cash flows and bank and consolidated statement of changes in equity for the year then ended and notes to these financial statements.

I. The Management' Responsibility for the Financial Statements

The Management of the Bank is responsible for the preparation and faire presentation of these financial statements. These responsibilities includes (1) preparing the financial statements that give a true and fair view in accordance with the Accounting Standard for Business Enterprises; and (2) designing, implementing and maintaining necessary internal control to ensure that financial statements are free from material misstatement, whether due to fraud or error.

II. Certificated Public Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Those standards require us to comply with the ethical requirements set for Certified Public Accountants of Chinese Institute of Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment on the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, certified public accountants consider internal control relevant to the institution's preparation and fair presentation of financial statements in order to design appropriate audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

III. Audit Opinion

In our opinion, the financial statements of the Bank comply with the requirements of the Accounting Standards for Business Enterprises in all material respects and present fairly the bank and consolidated financial position as at 31 December 2014 and the bank and consolidated operating results and cash flows for the year then ended.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
(special general partnership)

Certified Public Accountants
Registered in China

Shanghai, China
15 April 2015

Lv Jing, Li Jing

BANK AND CONSOLIDATED BALANCE SHEET

31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
		(Restated)		(Restated)	
Assets					
Cash on hand and balances with central banks	1	292,248	262,227	292,013	262,020
Due from banks and other financial institutions	2	62,666	40,204	62,568	40,134
Placements with banks and other financial institutions	3	19,108	21,606	19,108	21,606
Financial assets measured at fair value through profit or loss	4	9,066	8,699	9,066	8,699
Derivative financial assets	5	625	531	625	531
Financial assets under reverse repurchase agreements	6	123,136	155,094	123,136	155,094
Interest receivable	7	9,335	7,475	9,329	7,468
Loans and advances to customers	8	916,105	800,726	887,839	789,119
Available-for-sale financial assets	9	63,448	65,216	63,448	65,216
Held-to-maturity investments	10	136,277	109,265	136,277	109,265
Investments classified as receivables	11	201,134	183,926	201,134	183,926
Long-term equity investments	12	–	–	2,630	2,630
Fixed assets	13	9,359	8,072	9,347	8,060
Intangible assets	14	88	91	87	90
Deferred income tax assets	15	4,419	4,475	4,378	4,470
Other assets	16	4,614	4,840	4,402	3,934
Total assets		1,851,628	1,672,447	1,825,387	1,662,262

BANK AND CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2014

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note IX	31 December 2014	31 December 2013	31 December 2014	31 December 2013
			(Restated)		(Restated)
Liabilities					
Due to central banks	18	20,058	30	20,000	
Due from banks and other financial institutions	19	284,340	278,986	284,714	280,112
Placements from banks and other financial institutions	20	42,638	35,538	22,264	27,842
Derivative financial liabilities	5	556	545	556	545
Financial assets under repurchase agreements	21	40,202	59,884	40,202	59,884
Deposits from customers	22	1,303,216	1,177,592	1,301,895	1,176,288
Employees' compensation payable	23	6,733	5,178	6,672	5,155
Taxes and dues payable	24	4,077	3,750	4,025	3,739
Interest payable	25	17,567	11,634	17,342	11,581
Projected liabilities	26	2	2	2	2
Debt certificates payable	27	23,839	8,400	23,839	8,400
Other liabilities	28	6,301	4,889	2,618	3,308
Total liabilities		1,749,529	1,586,428	1,724,129	1,576,856
Equity					
Share capital	29	8,905	8,905	8,905	8,905
Capital reserve	30	30,543	30,543	30,542	30,542
Other comprehensive income	43	81	(1,850)	81	(1,850)
Surplus reserve	31	6,134	4,585	6,134	4,585
General reserve	32	17,100	12,949	17,100	12,949
Retained profit	33	38,695	30,288	38,496	30,275
Total equity attributable to shareholders of the parent company		101,458	85,420	101,258	85,406
Minority interests		641	599	–	–
Total shareholders' equity		102,099	86,019	101,258	85,406
Total liabilities and equity		1,851,628	1,672,447	1,825,387	1,662,262

The accompanying notes are an integral part of these financial statements

The financial statements on pages 89-199 are signed by:

Legal representative:
Wu Jian

President:
Fan Dazhi

Chief Financial Officer:
Guan Wenjie

Seal

BANK AND CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	The Group		The Bank	
		2014	2013	2014	2013
I. Operating income		54,885	45,219	54,137	44,978
Net interest income	34	46,241	38,902	45,755	38,703
Interest income		94,362	76,253	92,945	75,963
Interest expense		(48,121)	(37,351)	(47,190)	(37,260)
Net fee and commission income	35	7,652	6,312	7,389	6,268
Fee and commission income		8,681	6,861	8,401	6,813
Fee and commission expense		(1,029)	(549)	(1,012)	(545)
Investment gains/(losses)	36	580	(116)	580	(116)
Gains/(losses) from changes in fair value	37	182	(50)	182	(50)
Foreign exchange gains	38	208	149	208	149
Other operating income		22	22	23	24
II. Operating expenses		(30,994)	(24,559)	(30,523)	(24,339)
Business tax and surcharges	39	(3,885)	(3,246)	(3,857)	(3,235)
General and administrative expenses	40	(20,622)	(17,604)	(20,452)	(17,515)
Impairment losses on assets	41	(6,276)	(3,690)	(6,003)	(3,570)
Other operating costs		(211)	(19)	(211)	(19)
III. Operating profit		23,891	20,660	23,614	20,639
Plus: Non-operating income		172	70	139	58
Less: Non-operating expenses		(60)	(25)	(58)	(25)
IV. Total profit		24,003	20,705	23,695	20,672
Less: Income tax expense	42	(5,980)	(5,194)	(5,900)	(5,187)
V. Net profit		18,023	15,511	17,795	15,485
Net Profit attributable to the parent company		17,981	15,506	17,795	15,485
Minority interest		42	5	–	–
VI. After-tax other comprehensive income	43	1,931	(1,562)	1,931	(1,562)
i. Other comprehensive income not to be classified as profit/loss		–	–	–	–
ii. Other comprehensive income to be classified as profit/loss					
1. Profit/loss from changes in fair value of available-for-sale financial assets		1,931	(1,562)	1,931	(1,562)
After-tax other comprehensive income attributable to shareholders of the parent company		1,931	(1,562)	1,931	(1,562)
After-tax other comprehensive income attributable to minority shareholders		–	–	–	–
VII. Total comprehensive income		19,954	13,949	19,726	13,923
Total comprehensive income attributable to shareholders of the parent company		19,912	13,944	19,726	13,923
Total comprehensive income attributable to minority shareholders		42	5	–	–
VIII. Earnings per share					
Basic earnings per share (RMB yuan)	44	2.02	1.74		

The accompanying notes are an integral part of these financial statements

BANK AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note IX	2014	2013	2014	2013
			(Restated)		(Restated)
Cash flows from operating activities					
Net increase in customer deposits and due to banks and other financial institutions		130,978	191,323	130,209	192,095
Net increase in due to central banks		20,028	–	20,000	
Net decrease in placements with banks and other financial institutions and financial assets under reverse repurchase agreements		26,340	206,259	26,340	206,458
Proceeds from interest and fee & commission		78,681	71,681	76,983	71,349
Other proceeds received related to operating activities		3,345	381	478	371
Sub-total of cash inflows from operating activities		259,372	469,644	254,010	470,273
Net increase in loans and advances to customers		(120,776)	(104,644)	(103,844)	(93,642)
Net decrease in placements from banks and other financial institutions and financial assets under reverse repurchase agreements		(12,582)	(23,815)	(25,260)	(31,553)
Net increase in balances with central banks and due from banks and other financial institutions		(40,484)	(29,128)	(40,480)	(29,285)
Cash paid as interest and fee & commission expenses		(42,720)	(35,026)	(41,944)	(34,980)
Cash paid to and for employees		(9,475)	(7,909)	(9,402)	(7,881)
Taxes and dues paid		(10,255)	(9,098)	(10,149)	(9,083)
Other cash paid related to operating activities		(10,198)	(8,879)	(10,105)	(9,526)
Sub-total of cash outflows from operating activities		(246,490)	(218,499)	(241,184)	(215,950)
Net cash flows from operating activities	46	12,882	251,145	12,826	254,323
Cash flows from investing activities					
Proceeds from disposal of investments		102,422	32,928	102,422	32,928
Investment gains received		23,082	10,071	23,082	10,071
Net gains on disposal of fixed assets, intangible assets and other long-term assets		159	8	159	8
Sub-total of cash inflows from investing activities		125,663	43,007	125,663	43,007
Acquisition of investments		(143,629)	(218,680)	(143,629)	(218,680)
Net cash paid for acquisition of subsidiaries and other operating entities		–	–	–	(2,460)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(2,201)	(1,206)	(2,197)	(1,201)
Sub-total of cash outflows from investing activities		(145,830)	(219,886)	(145,826)	(222,341)
Net cash flows from investing activities		(20,167)	(176,879)	(20,163)	(179,334)

BANK AND CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note IX	2014	2013 (Restated)	2014	2013 (Restated)
Cash flows from financing activities					
Proceeds from investors		–	566	–	–
Of which: Proceeds from subsidiaries' acquisition of equity-based investments from minority shareholders		–	566	–	–
Cash received from issuance of debt certificates		18,548	–	18,548	–
Sub-total of cash inflows from financing activities		18,548	566	18,548	–
Repayment of debts		(3,109)	–	(3,109)	–
Cash paid for dividends and profit distribution or interest repayment		(4,371)	(3,644)	(4,371)	(3,644)
Sub-total of cash outflows from financing activities		(7,480)	(3,644)	(7,480)	(3,644)
Net cash flows from financing activities		11,068	(3,078)	11,068	(3,644)
Effect of exchange rate changes on cash and cash equivalents		98	(6)	98	(6)
Net increase in cash and cash equivalents	46	3,881	71,182	3,829	71,339
Plus: Opening balance of cash and cash equivalents		216,347	145,165	216,236	144,897
Closing balance of cash and cash equivalents	45	220,228	216,347	220,065	216,236

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	Equity attributable to shareholders of the parent company						Minority interests	Total
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit		
I. Balance as at 1 January 2014 (before restatement)		8,905	28,693	-	4,585	12,949	30,288	599	86,019
Changes in accounting policies		-	1,850	(1,850)	-	-	-	-	-
II. Balance as at 1 January 2014 (restated)		8,905	30,543	(1,850)	4,585	12,949	30,288	599	86,019
III. Changes during the year									
i. Net profit		-	-	-	-	-	17,981	42	18,023
ii. Other comprehensive income	43	-	-	1,931	-	-	-	-	1,931
Subtotal of the above i and ii		-	-	1,931	-	-	17,981	42	19,954
iii. Profit distribution									
1. Surplus reserve withdrawn	31	-	-	-	1,549	-	(1,549)	-	-
2. General reserve withdrawn	32	-	-	-	-	4,151	(4,151)	-	-
3. Dividend distribution	33	-	-	-	-	-	(3,874)	-	(3,874)
IV. Balance as at 31 December 2014		8,905	30,543	81	6,134	17,100	38,695	641	102,099

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	Equity attributable to shareholders of the parent company						Minority interests	Total
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit		
I. Balance as at 1 January 2013 (before restatement)		6,850	32,309	-	4,585	12,949	18,001	29	74,723
Changes in accounting policies		-	288	(288)	-	-	-	-	-
II. Balance as at 1 January 2013 (restated)		6,850	32,597	(288)	4,585	12,949	18,001	29	74,723
III. Changes during the year									
i. Net profit		-	-	-	-	-	15,506	5	15,511
ii. Other comprehensive income	43	-	-	(1,562)	-	-	-	-	(1,562)
Subtotal of the above i and ii		-	-	(1,562)	-	-	15,506	5	13,949
iii. Capital stock contributed by shareholders		-	1	-	-	-	-	565	566
iv. Profit distribution									
1. Surplus reserve withdrawn	31	-	-	-	-	-	-	-	-
2. General reserve withdrawn	32	-	-	-	-	-	-	-	-
3. Dividend distribution	33	-	-	-	-	-	(3,219)	-	(3,219)
v. Internal conversion of shareholders' equity									
1. Conversion of capital reserve into share capital	29	2,055	(2,055)	-	-	-	-	-	-
IV. Balance as at 31 December 2013		8,905	30,543	(1,850)	4,585	12,949	30,288	599	86,019

The accompanying notes are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Total
I. Balance as at 1 January 2014 (before restatement)		8,905	28,692	-	4,585	12,949	30,275	85,406
Changes in accounting policies		-	1,850	(1,850)	-	-	-	-
II. Balance as at 1 January 2014 (restated)		8,905	30,542	(1,850)	4,585	12,949	30,275	85,406
III. Changes during the year								
i. Net profit		-	-	-	-	-	17,795	17,795
ii. Other comprehensive income	43	-	-	1,931	-	-	-	1,931
Subtotal of the above i and ii		-	-	1,931	-	-	17,795	19,726
iii. Profit distribution								
1. Surplus reserve withdrawn	31	-	-	-	1,549	-	(1,549)	-
2. General reserve withdrawn	32	-	-	-	-	4,151	(4,151)	-
3. Dividend distribution	33	-	-	-	-	-	(3,874)	(3,874)
IV. Balance as at 31 December 2014		8,905	30,542	81	6,134	17,100	38,496	101,258

BANK STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Note IX	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Total
I. Balance as at 1 January 2013 (before restatement)		6,850	32,309	-	4,585	12,949	18,009	74,702
Changes in accounting policies		-	288	(288)	-	-	-	-
II. Balance as at 1 January 2013 (restated)		6,850	32,597	(288)	4,585	12,949	18,009	74,702
III. Changes during the year								
i. Net profit		-	-	-	-	-	15,485	15,485
ii. Other comprehensive income	43	-	-	(1,562)	-	-	-	(1,562)
Subtotal of the above i and ii		-	-	(1,562)	-	-	15,485	13,923
iii. Profit distribution								
1. Surplus reserve withdrawn	31	-	-	-	-	-	-	-
2. General reserve withdrawn	32	-	-	-	-	-	-	-
3. Dividend distribution	33	-	-	-	-	-	(3,219)	(3,219)
iv. Internal conversion of shareholders' equity								
1. Conversion of capital reserve into share capital	29	2,055	(2,055)	-	-	-	-	-
IV. Balance as at 31 December 2013		8,905	30,542	(1,850)	4,585	12,949	30,275	85,406

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014 (In RMB millions, unless otherwise stated)

I. Profile of the Bank

Hua Xia Bank Co., Limited (the Bank), formerly known as Hua Xia Bank, was established as a nationwide commercial bank on 14 October 1992 with the approval of People's Bank of China ("PBOC"). On 10 April 1996, Hua Xia Bank was approved by PBOC to be restructured as a joint-stock limited company by means of promoter incorporation, and then renamed as Hua Xia Bank Co., Limited. On 21 July 2003, the Bank obtained approval from China Securities Regulatory Commission ("CSRC") for offering of A shares. On 12 September 2003, the Bank was listed.

The Bank held the License for Financial Enterprises as a Legal Person (No. B10811000H0001) upon approval by PBOC, and it acquired the Business License for Enterprises as a Legal Person (Registration No. 100000000029676) upon approval by the State Administration for Industry and Commerce.

On 21 May 2004, the Bank converted the capital reserve of RMB700,000,000 into share capital at a ratio of 2 for 10 shares on the basis of 3.5 billion of shares as at 31 December 2003. After the conversion, the registered capital reached RMB4,200,000,000, which has been specially verified by Beijing Jingdu Certified Public Accountants, with the Capital Verification Report (Beijing Jingdu Y.Z. (2004) No. 0017).

On 15 October 2008, with approval of CSRC, the Bank issued 790,528,316 RMB-denominated ordinary shares (A shares) in a non-public offering to three designated investors, namely Shougang Corporation, State Grid Corporation of China and DEUTSCHE BANK AKTIENGESELLSCHAFT. After the additional offering, the registered capital was RMB4,990,528,316. The newly increased capital was verified by Beijing Jingdu Certified Public Accountants which issued the Capital Verification Report (Beijing Jingdu Y.Z. (2008) No. 0085).

On 22 April 2011, with approval of CSRC, the Bank issued 1,859,197,460 RMB-denominated ordinary shares in a non-public offering to three designated investors, namely Shougang Corporation, Yingda International Holdings Corporation, Ltd. (renamed as SGCC Yingda International Holdings Corporation, Ltd. now) and DEUTSCHE BANK LUXEMBOURG S.A. After the additional offering, the registered capital was RMB6,849,725,776. The newly increased capital was verified by Jingdu Tinwha Certified Public Accountants Co., Ltd. which issued the Capital Verification Report (Jingdu Tinwha Y.Z. (2011) No. 0044).

On 18 July 2013, the Bank converted the capital reserve of RMB2,054,917,733 into share capital at a ratio of 3 for 10 shares on the basis of 6.8 billion of shares as at 31 December 2012. After the conversion, the registered capital reached RMB8,904,643,509. The newly increased capital has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (13) No. 0577).

As at 31 December 2014, in addition to the Head Office, the Bank had established 34 tier-1 branches in Chinese Mainland, with outlets totaling 590.

The business scope of the Bank and its subsidiaries (collectively referred to as the "Group") covers: public deposit-taking, granting of short, medium and long-term loans; domestic and international settlement, bill acceptance and discount, issuance of financial bonds, issuance, encashment and underwriting of government bonds as an agent, trading of government bonds and financial bonds, inter-bank lending and borrowing, trading of foreign exchange on its own behalf and as an agent, bank card service, provision of letter of credit and letter of guarantee, collection and payment service as an agent, safety box service, foreign exchange settlement and sale, sideline insurance agency, leasing service and other services approved by China Banking Regulatory Commission ("CBRC").

II. Basis of preparation of financial statements

The Group follows the Accounting Standards for Business Enterprises and relevant rules (including the new accounting standards for business enterprises issued and those revised in 2014, hereinafter referred to as "Accounting Standards for Business Enterprises") promulgated by the Ministry of Finance of PRC (the "MOF"). Besides, the Group also discloses relevant financial information in accordance with the *Rules for the Compilation and Submission of information Disclosure by Companies that Offer Securities to the Public No. 15 – General Provisions on Financial Report* (Revision 2014) issued by CSRC.

III. Declaration on Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group truly and fairly represent the bank and consolidated financial position of the Group as at 31 December 2014, and the bank and consolidated operating results and cash flows for the year then ended, in compliance with the Accounting Standards for Business Enterprises.

IV. Major Accounting Policies and Accounting Estimates

1. Accounting period

The accounting period of the Group begins on 1 January and ends on 31 December of the Gregorian calendar.

2. Bookkeeping base currency

Renminbi is the functional currency in the major economic environments of the Group's operation and the Group takes Renminbi as the bookkeeping base currency. The Group adopts Renminbi in the preparation of these financial statements.

3. Basis of Accounting and Measurement

The Group's accounting is on an accrual basis. Except some financial instruments that are measured at fair value, these financial statements are measured on the basis of historical costs. In case of impairment losses on assets, corresponding allowance for impairment losses shall be set aside according to relevant rules.

4. Business combination

Business combination not under the same control

Combination cost is the fair value of the assets paid, liabilities occurred or assumed and equity instruments issued by the buyer for acquiring the control right of the acquiree. The buyer's relevant expenses arising from business combination shall be recorded into current profit or loss upon occurrence.

At the acquisition date, recognizable assets, liabilities or contingent liabilities of the acquiree acquired by the buyer in the business combination are measured at fair value. For the balance between the combination cost and the fair value of recognizable net assets of acquiree acquired during the business combination, it will be recognized into goodwill as an asset and initially measured at cost.

Goodwill arising from business combination will be separately presented in the consolidated financial statements, and will be measured at the amount generated from the cost deducting accumulative allowance for impairment losses. Impairment test shall be conducted for goodwill at the end of each year at least.

The impairment loss on goodwill will be recognized as current profit or loss upon occurrence and will not be reversed in the subsequent accounting periods.

5. Preparation of consolidated financial statements

The consolidated scope of the consolidated financial statements shall be determined based on control. Control means that the Group has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee.

For subsidiaries disposed of by the Group, operating results and cash flows prior to the disposal date (date of losing control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows.

For subsidiaries acquired by business combination under different control rights, operating results and cash flows as of the acquisition date (date of obtaining control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows, and the opening balance and comparison amount of the consolidated financial statements will not be adjusted.

The major accounting policies and accounting period adopted by subsidiaries shall be determined based on those uniformly prescribed by the Bank.

All material accounts and transactions between the Bank and a subsidiary and among subsidiaries shall be offset at the time of business combination.

The part of the owners' equity of the subsidiaries not attributable to the parent company will be recognized as minority interest and be presented as "minority interests" in the consolidated financial statements. The part of the current profit or loss of the subsidiaries recognized as minority interests shall be presented as "minority interests" under the "net profit" item in the consolidated income statement.

If the loss of a subsidiary borne by a minority shareholder exceeds its share of equity at the beginning of the period in this subsidiary, the balance will be written off against the minority interests.

6. Recognition of the Cash and Cash Equivalents

Cash refers to the company's cash on hand and deposits available for payment at any time. Cash equivalents refer to short-term investments with high liquidity held by the Group which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

7. Foreign currency transactions

In the initial recognition of foreign currency transactions, the spot exchange rate on the transaction date shall be adopted. On the balance sheet date, foreign currency items shall be translated to RMB amounts by the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and that in the initial recognition or prior to the balance sheet date is recorded into current profit or loss, except the following circumstances: (1) the balance of exchange arising from foreign currency borrowings eligible for capitalization is recognized into cost of relevant assets after capitalization during the capitalization period; (2) balance of exchange arising from hedging instruments that are used to avoid foreign exchange risks will be treated by the accounting treatment to hedging; (3) balance of exchange arising from changes in book balance other than the amortized cost of available-for-sale monetary items is recognized as other comprehensive income.

The foreign currency-denominated non-monetary items measured at historical cost shall be recorded by the amount presented in the bookkeeping base currency converted by the spot exchange rate on the transaction date. Foreign currency-denominated non-monetary items measured at fair value shall be converted by the spot exchange rate on the determination date of fair value.

8. Financial Instruments

Corresponding financial assets or financial liabilities shall be recognized when the Group becomes a party to a financial instrument contract.

(1) Financial assets

Financial assets are classified into four categories at the initial recognition: financial assets measured at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification shall be determined based on the nature and purpose of the financial assets at the initial recognition. Initially recognized financial assets are measured at fair value. For financial assets measured at fair value through profit or loss, the transaction costs thereof are directly recorded through profit or loss; for other categories of financial assets, the transaction expenses thereof are included in the initially recognized amount. Financial assets traded in a regular manner will be recognized or derecognized in line with the accounting treatment on the transaction date. Buying or selling a financial asset in a regular manner means the financial asset traded is delivered within the time limit specified by market rules or practices.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include held-for-trading financial assets and those financial assets measured at fair value through profit or loss designated at the initial recognition.

Held-for-trading financial assets refer to financial assets meeting any of the following conditions:

- (i) the purpose of acquiring such financial assets is mainly for selling in a short term;
- (ii) they are part of the recognizable financial instrument portfolio under centralized management and there is objective evidence proving that the Group adopts the short-term profit-making method to manage the portfolio in the recent period;
- (iii) they belong to derivative financial instruments other than those designated as effective hedging instruments, those subordinated to financial guarantee contracts, and those linked with equity instruments that have no quotation in active markets and fair values of which cannot be reliably measured, and settled with the delivery of such equity instruments.

Financial assets meeting any of the following conditions can be designated as financial assets measured at fair value through profit or loss at the initial recognition:

- (i) The designation can eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from different measurement bases of financial assets;
- (ii) The official written documents on risk management or investment strategies of the Group have indicated that the financial assets portfolio or the portfolio of financial assets and liabilities of which the said financial asset is a component will be managed and evaluated on the basis of fair value and be reported to key management personnel;
- (iii) Mixed instruments relating with embedded derivative instruments and eligible for designating as financial assets measured at fair value through profit or loss according to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from changes in fair value, as well as dividends and interest income relating to such financial assets will be recorded through current profit or loss.

Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets that have a fixed maturity, fixed or determinable recoverable amount and that the Group has clear intent and ability to hold it to maturity.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment loss identified. Gains or losses are recognized into current profit or loss when such investments are derecognized, impaired or amortized. Effective interest method is the method of calculating amortized cost and interest income/expenses for various periods on the basis of the effective interest rate of the financial asset or financial liability (including a portfolio of financial assets or liabilities). Effective interest rate refers to the interest rate used when discounting the future cash flows of the financial assets or financial liabilities within the estimated renewal period or applicable shorter period into the current book value of the financial assets or financial liabilities.

While calculating the effective interest rate, the Group will estimate the future cash flows based on all the contract clauses of the financial assets or financial liabilities (without consideration of future credit losses), and will also consider various fees and transaction costs that are components of effective interest rate and paid or charged among all parties to the contract of financial assets or financial liabilities, as well as discount or premium etc.

Available-for-sale financial assets

The available-for-sale financial assets refer to the non-derivative financial assets that are defined as available for sale upon the initial recognition, as well as the financial assets other than the financial assets measured at fair value through gain or loss, loans, account receivables and held-to-maturity investments.

Available-for-sale financial assets are measured subsequently at fair value, and gains or losses arising from changes in fair value are recognized as other comprehensive income, which will be transferred out and recorded through current profit or loss when such financial assets are derecognized, except that impairment losses and exchange difference of foreign currency monetary financial assets relating with the amortized cost are recognized through current profit or loss.

Available-for-sale equity instruments that have no quotation in active markets and fair value of which cannot be measured on a reliable basis are measured at cost less any impairment loss identified at the end of the reporting period.

Interest obtained during the holding period of the available-for-sale financial assets and cash dividends announced and issued by the investee are recorded into interest income and investment income respectively.

Loans and receivables

Loans and receivables refer to non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market. The Group's loans and receivables include balances with central banks, due to banks and other financial institutions, placements with banks and other financial institutions, financial assets under reverse repurchase agreements, interest receivable, loans and advances and investments classified as receivables, etc., and they are measured at amortized cost using the effective interest rate method, less impairment loss. Gains or losses are recognized into current profit or loss when such investments are derecognized, impaired or amortized.

(2) Impairment of financial assets

Except financial assets measured at fair value through profit or loss, the Group carries out an inspection on the book value of other financial assets on the balance sheet date. If there is objective evidence that one or more events affecting estimated future cash flows of the financial assets occur after the initial recognition of those assets, impairment losses shall be recognized and allowance be set aside.

Objective evidences on impairment of the financial assets include the following observable circumstances:

- (i) The issuer or debtor has serious financial difficulties;
- (ii) The debtor violates provisions of the contract, e.g. default on or overdue payment of interest or principal;
- (iii) The Group makes compromise to the debtor with financial difficulties due to consideration of economic or legal factors;
- (iv) The debtor may possibly go bankruptcy or be otherwise restructured financially;
- (v) The financial assets cannot be traded in the active market due to material financial difficulties of the issuer;
- (vi) It is incapable of identifying whether the cash flows of a portfolio of financial assets decrease or not, but after overall assessment based on the public data, it has been found that the estimated future cash flows of the portfolio of financial assets have witnessed measurable decrease since the initial recognition, including the following circumstances:
 - a. the payment ability of the debtor of the financial assets has gradually worsened;
 - b. the country or region where the debtor is located encounters economic situations where the portfolio of financial assets may not be paid;
- (vii) There are material unfavorable changes in the technological, market, economic or legal environments of the issuer of equity instruments, which possibly makes the equity instrument investors fail to recover its investment cost;
- (viii) At the end of the period, the fair value of the equity instrument decreased 50% or more over the cost, or the fair value had been decreasing for 12 months or more;
- (ix) Other objective evidences indicating impairment of the financial assets.

Firstly, the Group conducts separate impairment test on financial assets with significant single amount. For financial assets with insignificant single amount, it conducts separate impairment test or conducts the test in asset portfolios. For financial assets recognized with no impairment loss by separate test (including financial assets with significant or insignificant single amount), they will be included in the impairment test conducted on financial asset portfolio with similar credit risk features. For financial assets recognized with impairment loss by separate test, they will not be included in the impairment test conducted on financial asset portfolio with similar credit risk features.

Impairment of financial assets measured at amortized cost

If there is an objective evidence proving an financial asset measured at amortized cost is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (excluding future credit losses that haven't incurred) and will be recorded through current profit or loss. If the contract interest rate of the financial asset is a floating rate, then the discounting rate for determining the impairment loss shall be the current effective interest rate specified in the contract.

Whether the collateral is exercised or not, the present value of the future cash flows of financial asset with collateral will be estimated and calculated based on the exercise value of the collateral less the cost for acquiring and selling the collateral.

The financial assets shall be grouped by the similarity and relevance of their credit risk characteristics for collective assessment on impairment. These credit risk characteristics are generally related to the estimation of future cash flows of the examined assets, which reflects the debtor's ability to repay all due amount in accordance with contract clauses on these assets.

When a financial asset is not recoverable and all necessary procedures are executed and the loss amount determined, the Group will write down corresponding allowance for impairment loss against the financial asset and write it off. Amount recovered after the financial asset is written off shall be written down against the allowance for asset impairment of the current period.

In a subsequent period, if the allowance for impairment loss decreases and the decrease can be objectively related to an event occurring after the allowance is recognized (e.g. upgrading of the borrower's rating), the originally recognized impairment loss shall be reversed. Nevertheless, the reversed book value of the financial asset will not exceed the amortized cost of the financial asset on the date of reverse under the assumption that no allowance for impairment is set aside.

Impairment of the available-for-sale financial assets

When the available-for-sale financial asset is impaired, the accumulated losses arising from the decline of fair value that have been originally included in capital reserve will be transferred out and recorded through current profit or loss. The amount of accumulative losses to be reversed is the balance of initial acquisition cost of the financial asset less the principal recovered and amortized amount, the current fair value and the impairment loss recognized into profit or loss.

After the impairment loss of an available-for sale financial asset is recognized, if, in a subsequent period, there is any objective evidence proving that its value has been recovered, and it is objectively related to the event occurring after such loss is recognized, the impairment loss originally recognized will be reversed. The impairment loss of available-for-sale equity instrument investments will be reversed and recognized as other comprehensive income and that of available-for-sale debt instruments will be reversed and recorded into current profit or loss. The impairment loss of available-for-sale equity instrument investments measured at cost will not be reversed.

(3) Financial liabilities

The Group classifies the financial instruments or their components into financial liabilities or equity instruments in the initial recognition, based on contractual clauses regarding the financial instruments issued and their underlying economic substance in stead of the legal form only, with reference to the definition of financial liability and equity instrument.

In the initial recognition, financial liabilities are classified into financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include held-for-trading financial liabilities and those designated as financial liabilities measured at fair value through profit or loss.

The conditions for classifying financial liabilities into held-for-trading financial liabilities and those measured at fair value through profit or loss designated in the initial recognition are the same with the conditions for classifying financial assets into held-for-trading financial assets and those measured at fair value through profit or loss designated in the initial recognition.

Financial liabilities measured at fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from changes in fair value as well as interest expenses relating to such financial liabilities will be recorded through current profit or loss.

Other financial liabilities

Financial liabilities other than financial guarantee contracts are subsequently measured at amortized cost based on effective interest rate method, and the gains or losses arising from derecognition or amortization are recorded through current profit or loss.

Financial guarantee contracts

Financial guarantee contract is the agreement between the guarantor and the creditor, according to which the guarantor shall fulfill the debt or assume responsibility when the debtor fails to fulfill the repayment obligation. For financial guarantee contracts that are not included in the designated financial liabilities measured at fair value through profit or loss, they are initially recognized by the fair value less direct transaction expenses. After the initial recognition, the subsequent measurement will be based on the amount determined according to the *Accounting Standards for Business Enterprises No. 13 – Contingent Matters* or the initially recognized amount less the accumulative amortized amount determined according to the *Accounting Standards for Business Enterprises No. 14 – Income*, whichever is higher.

(4) Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the signing date of relevant contract, and subsequently measured at fair value. Change in fair value of the derivative financial instruments is recognized into current profit or loss.

For mixed instruments with embedded derivative financial instruments, such as financial assets or financial liabilities not designated to be measured at fair value through profit or loss, embedded derivative financial instruments without close relation with the master contract in terms of economic features and risks but with same conditions as the embedded financial derivative instruments, and instrument as an independent unit meeting the definition of derivative financial instruments, the embedded derivative financial instruments shall be split from the mixed instruments and treated as an independent derivative financial instrument.

(5) Determination method of fair value

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements.

As for financial assets and financial liabilities continuously measured by fair value, based on the observability of the input value of fair value and the overall importance of such input value to measurement of fair value, the Group divides the financial instruments into the following three levels:

Level 1: Fair value measurement refers to the unadjusted quotation of the same assets or liabilities obtainable in the active market on the measurement date;

Level 2: Fair value measurement refers to the directly or indirectly observable input value of related assets or liabilities other than the input value in Level 1;

Level 3: Fair value measurement refers to the unobservable input value of related assets or liabilities.

As for the financial instruments with active market, the Group adopts the quotation on the active market to determine their fair value.

The quotation for the financial instruments on the active market refers to the price easily accessible from exchanges, industrial associations, pricing service institutions or regulatory institutions on a regular basis, which also represents the frequently executed market trading price in fair transactions. If the above conditions are not met, then it is a non-active market. Signs of a non-active market include: significant bid-ask spread, markedly expanding bid-ask spread or no existence of recent transactions.

As for the financial instruments without active market, the Group adopts valuation techniques to determine their fair value. Valuation techniques include reference to the prices recently used in market transactions between well-informed willing parties, reference to current fair value of financial instruments of the same nature, discounted cash flow method and option pricing model.

(6) Derecognition

Derecognition of financial assets

Where a financial asset meets any of the following conditions, it will be derecognized:

- (i) Where the contractual rights for collecting cash flows of the said financial asset are terminated;
- (ii) Where the financial asset has been transferred and nearly all of the risks and returns in connection with the ownership of the financial asset have been shifted to the transferee;
- (iii) Where the financial asset has been transferred and the Group has given up control over the financial asset, though it does not transfer or retain almost all of the risks and returns in connection with the ownership of the financial asset.

In case that the Group neither transfers nor retains almost all the risks and returns relevant to ownership of the financial asset and it does not waive control over the financial asset, it shall recognize the financial asset based on the degree of involvement and concurrently recognize the related liabilities.

When the overall financial assets are derecognized, the difference between the book value of the transferred financial assets and the sum of the consideration received due to transfer and the accumulated changes in fair value originally recorded into other comprehensive income will be recorded through profit or loss.

Derecognition of financial liabilities

In the case that the current obligations of an financial liability is relieved in full or in part, the financial liability will be derecognized in full or in part. Where the Group (debtor) and creditor sign an agreement to replace the existing financial liability by assuming new financial liability of which contract terms are different from those of existing financial liability in essence, the existing financial liability will be derecognized and the new financial liability will be recognized at the same time.

Where all the financial liability is derecognized, the difference between book value of the financial liability and consideration paid (including non-cash assets or new financial liability assumed) will be recorded through current profit or loss.

(7) Offset between financial assets and financial liabilities

When the two conditions below are met, the net amount after offset of the financial assets and the financial liabilities will be presented on the balance sheet:

(i) The Group has the legal right to offset the recognized amount, and the right is executable at present;

(ii) The Group plans to settle by netting or realize such financial assets and pay off such financial liabilities at the same time.

9. Financial assets under reverse repurchase agreements and financial assets under repurchase agreements

The securities, bills, loans and advances and other assets that are sold under repurchase agreement and will be repurchased in a specified future date at a specified price are presented by category of financial assets before the sale, and funds collected from counterparties are presented as financial assets under repurchase agreements. The consideration paid for purchasing securities, bills, loans and other assets that are bought under the reverse repurchase contract and will be sold at a specified future date at a specified price is presented as financial assets under reverse repurchase agreements. The bid-ask spread of reverse repurchase or repurchase business is amortized by the effective interest rate during the transaction period, and gains or losses arising thereof will be recorded through current profit or loss.

10. Long-term equity investments

Control means that the investor has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee. Joint control refers to the control over a certain arrangement shared by more than one parties as agreed and related activities of this arrangement must be determined upon consent of all participants of the control power. Material impact means an entity has the power to participate in the financial affairs and operating policy of an enterprise but is unable to control or jointly control formulation of these policies together with other parties. At the time of determining whether to control or exert significant influence on the investee, the investee's current convertible corporate bonds and exercisable warrants held by the investor and other parties as well as other potential voting factors are taken into account.

A long-term equity investment is measured initially at cost. For long-term equity investment acquired by business combination not under the same control, the initial investment cost is the combination cost on the acquisition date.

Long-term equity investments acquired by means other than business combination are initially measured at cost. In the case that the investee is under significant influence or joint control but is not controlled, the cost of long-term equity investment is the fair value of originally held equity investment determined according to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

Long-term equity investment by cost accounting

The Group adopts the cost method to calculate its long-term equity investment in subsidiaries. Subsidiaries refer to investees controlled by the Group.

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost. The cost of long-term equity investment will be adjusted upon addition or withdrawal of investment. The investment return for the current period is recognized based on cash dividend or profit announced to be distributed by the investee.

Long-term equity investment accounted by equity method

The Group applies the equity method to investment of associates and joint ventures. Associate refers to an investee that can be significantly influenced by the Group. Joint venture refers to a joint arrangement where the Group only has right over net assets of the arrangement.

When the equity method is adopted for accounting, for long-term equity investments with investment cost larger than the shares of the fair value of recognizable net assets of the investee during investment, the investment cost of long-term equity investments is not adjusted; and for long-term equity investments with investment cost smaller than the shares of the fair value of recognizable net assets of the investee during investment, the difference will be recorded through current profit or loss and the investment cost of the long-term equity investments will be adjusted.

When the equity method is adopted for accounting, the investment income and other comprehensive income shall be recognized separately based on the share of net profit or loss and other comprehensive income of the investee to be attributable to the Group, and the book value of long-term equity investments shall be adjusted at the same time. The profit or cash dividend attributable shall be calculated based on that to be distributed by the investee and the book value of long-term equity investments shall be reduced accordingly. Changes in owners' equity other than the investee's net profit or loss, other comprehensive income and profit distribution are recorded into capital reserve and the book value of long-term equity investments shall be adjusted accordingly. The share of the investee's net profit or loss attributable shall be determined based on the fair value of recognizable assets of the investee at the time of acquisition, and recognized after adjustment to the net profit of the investee according to the Group's accounting policies and accounting period. The unrealized profit or loss of internal transactions of the Group with associates and joint ventures attributable to the Group is calculated and offset as per the shareholding proportion, and the investment gains or losses are recognized after the offset. The unrealized loss arising from internal transactions of the Group with the investee that is categorized as impairment loss on transferred assets shall not be offset.

The net loss of the investee to be shared will be to the extent that the book value of long-term equity investment and other long-term equity substantially constituting net investment to the investee are written down to zero. In addition, if the Group has the obligation to assume additional loss of the investee, the projected liabilities will be recognized based on the obligation to be assumed and recorded through current investment loss. If the investee realizes net profit in the following periods, the Group will resume recognition of the income attributable after the income offsets the unrecognized loss.

Disposal of long-term equity investment

When the Group disposes of long-term equity investment, it records the difference between its book value and the actual acquisition cost through current profit or loss. The disposal of long-term equity investment accounted with equity method applies to the same basis with that used by the investee in directly disposing of relevant assets or liabilities. Accounting treatment will be conducted for the part of investment originally recorded into other comprehensive income by corresponding proportion.

11. Fixed assets

The fixed assets of the Group refer to tangible assets held for rendering of labor service, lease or operating management whose useful life exceeds one accounting year.

Fixed assets are measured initially at cost. Depreciation of fixed assets will be set aside based on the straight-line method over the useful life starting from the following month after the fixed assets reach their scheduled usable condition. The usable life, estimated residual rate and annual depreciation rate of all categories of fixed assets are shown as follows:

Category	Useful life	Estimated residual rate	Annual Depreciation Rate
Houses and buildings	15 – 35 years	5%	2.71% – 6.33%
Office supplies and electronic devices	5 – 8 years	5%	11.88% – 19.00%
Transportation facilities	5 – 10 years	5%	9.50% – 19.00%

Estimated residual value refers to the amount obtained by the Group from disposal of the asset deducting the estimated disposal expense, assuming that the fixed asset comes to the end of its estimated useful life at the expected status.

Any subsequent expenditure related to the fixed asset is recognized as cost of the fixed asset and the book value of the replaced part is derecognized in case that the future economic benefits associated with the asset is very likely to flow to the entity and the cost of the asset can be measured reliably. Other subsequent expenditures are recorded through current profit or loss at the time of occurrence.

At least at the end of every accounting year, the Group reviews the useful life, estimated residual value and depreciation methods for the fixed assets. Any changes will be treated as changes in accounting estimation.

The balance of disposal income from sale, transfer, retirement or destruction of fixed assets deducting their book value and related taxes and dues shall be recorded through profit or loss.

The cost of construction-in-process will be determined based on the actual expenditures of the project, including various project expenditures and other relevant expenses incurring during the construction period. Construction-in-process is converted into fixed asset when it reaches scheduled usable condition.

12. Intangible assets

Intangible assets refer to recognizable non-monetary assets with no physical form that are owned or controlled by the Group.

Intangible assets are measured initially at cost. For an intangible asset with a limited useful life, its original value will be amortized over its estimated useful life starting from the time when it is available for use. Intangible assets with uncertain useful life will not be amortized.

Land use right obtained is generally treated as an intangible asset in accounting. For self-developed houses and buildings, relevant land use right expenditure and the construction cost will be treated as intangible asset and fixed asset in accounting, respectively. For purchased houses and buildings, the cost will be allocated between the land use right and the buildings. If it is hard to realize reasonable allocation, all the cost will be accounted as fixed asset.

At the end of the period, the Group reviews the useful life and amortization method of the intangible asset with a limited useful life. Any changes will be treated as changes in accounting estimation.

13. Repossessed assets

Repossessed assets are initially recognized at fair value, and subsequently measured at the book value or recoverable amount at the end of the period, whichever is lower. When the recoverable amount of the repossessed asset is lower than its book value, impairment reserve for the asset will be set aside.

Gains or losses from disposal of the repossessed asset are recorded through current profit or loss.

If the repossessed asset is converted for private use, it shall be carried forward by its book balance on the date of transfer. If impairment reserve for the repossessed asset is set aside, the reserve shall also be carried forward.

14. Impairment of non-financial assets

At the end of the reporting period, the Group reviews the book value of long-term equity investments, investment property, fixed assets, construction-in-process and intangible assets, to confirm whether there is sign of impairment. If there is any sign of impairment on the asset, the recoverable amount shall be estimated. The Group estimates the recoverable amount based on a single asset; if it is hard to estimate the recoverable amount of a single asset, that of the asset portfolio where the single asset belongs will be measured. If the recoverable amount of the asset is lower than the book value, impairment reserve will be set aside based on the difference and be recorded through current profit or loss.

Recoverable amount is determined based on the fair value deducting disposal expense of the asset and present value of estimated future cash flows of the asset, whichever is higher. The fair value of assets is determined based on the price specified in the sales agreements of fair transactions; if there is active market but no sales agreement for the asset, its fair value will be determined based on the buyer's offer; if there is neither active market nor sales agreement, the fair value will be estimated based on the best information accessible. Disposal expenses include legal expense, taxes and carriage expense relating with the asset disposal as well as direct expenses for the asset to be available for sale. The present value of the estimated future cash flows of the assets will be determined based on the estimated future cash flows generated from continuous use and final disposal of the assets discounted by an appropriate discounting rate.

The above impairment loss of assets will not be reversed in the subsequent accounting periods once it is recognized.

15. Employee compensation and benefits

Employee Compensation

The Group recognizes employees' short-term compensation actually incurred as liabilities during the reporting periods when the employees render services and records it through current profit or loss or relevant asset cost. The Group's employee welfare is recorded through current profit or loss or relevant asset cost based on the actual amount upon occurrence. Non-monetary employee welfare will be measured at fair value.

Social welfare

The Group joins in the social security system for employees established by the government as required, including basic endowment insurance, medical insurance, housing provident fund and other social security systems. During the reporting periods when the employees render services, the social welfare will be recognized as liabilities based on the amount payable and recorded through current profit or loss.

Annuity Plan

In addition to basic endowment insurance, employees of the Bank also participate in the employee retirement benefits plan created by the Bank (hereinafter referred to as "Annuity Plan"). The Bank contributes fund to the Annuity Plan as per a certain percentage of wages, and the contributions are recorded through current profit or loss. The Bank contributes a fixed amount of fund to the Annuity Plan. However, if the Annuity Plan is not sufficient to pay employees' future retirement benefits, the Bank is not obliged to make fund injection.

16. Projected liabilities

If an obligation in connection with contingencies meets the following conditions, the Group will recognize it as a projected liability: (1) The obligation is a current obligation; (2) Performance of the obligation will likely cause outflow of the related economic benefit; (3) The amount of the obligation can be reliably measured.

The amount of recognized projected liabilities is the best estimation of the consideration to be paid for the failure in performing present obligation within the reporting period, giving consideration to the risks and uncertainties relating with the obligation. If the projected liabilities are measured by the estimated cash flows to be paid for fulfilling the present obligation, then the book value is the present value of the cash flows (where the time value is significant).

Where all or partial expenses paid for the liquidation of projected liabilities are expected to be compensated by a third party, the compensation can only be separately recognized as an asset when it is basically confirmed to be recoverable. The recognized compensation amount should not exceed the book value of the projected liabilities.

17. Recognition of income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. The specific recognition principles are determined as follows by nature of the revenue:

Interest income and expenses

The interest income and expenses are calculated by the effective interest rate method based on the amortized cost of relevant financial assets and financial liabilities and recorded into current profit or loss.

After the impairment losses on financial assets are confirmed, the interest income shall be recognized with discounting rate applied in discounting the future cash flows on the basis of recognition of the impairment losses as the interest rate.

Fee and commission income and expenses

The fee and commission income and expenses will be recognized on an accrual basis at the time of rendering or receiving services.

18. Income tax

Current tax

On the balance sheet date, the income tax liabilities (or assets) that are formed during the current and previous periods shall be measured based on the amount of income tax that should be paid (or rebated) based on the tax law. The taxable income, namely the basis of current tax calculation, is obtained after the pre-tax accounting profit of the period is adjusted pursuant to the tax laws.

Deferred income tax

For the difference between the book value and the tax base of some assets and liabilities and the temporary difference between the book value and tax base of items that are not recognized as assets and liabilities but whose tax base can be determined according to the tax law, the deferred income tax assets and liabilities will be recognized based on the balance sheet liability method.

For taxable temporary differences relating with the initial recognition of goodwill, or the initial recognition of assets or liabilities generated from transactions that are not a business combination and that will not affect the accounting profit and taxable income (or deductible losses), relevant deferred income tax liabilities will not be recognized. In addition, for taxable temporary differences in connection with investments in subsidiaries and associates, if the Group can control the time for the reversal of such temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future, relevant deferred income tax liabilities will not be recognized. Except the above cases, the Group will recognize all deferred income tax liabilities generated from taxable temporary differences.

For deductible temporary differences relating with the initial recognition of assets or liabilities generated from transactions that are not a business combination and that will not affect the accounting profit and taxable income (or deductible losses), relevant deferred income tax liabilities will not be recognized. Besides, for deductible temporary differences in connection with investments in subsidiaries and associates, if temporary differences are not likely to be reversed in the foreseeable future and taxable income is not likely to be obtained in the future to offset deductible temporary difference, relevant deferred income tax assets shall not be recognized. Except the above case, the Group recognizes the deferred income tax assets arising from other deductible temporary difference up to the amount of taxable income that may be obtained in the future to offset the deductible temporary difference.

For deductible losses that could be carried forward to the following years and tax credits, the Group recognizes relevant income tax assets within the limit of future taxable income that is very likely to be obtained by the Group to offset deductible losses and tax credits.

On the balance sheet date, the deferred income tax assets and liabilities are measured based on the tax rate in the expected period to collect the assets or repay the liabilities, according to the tax law.

On the balance sheet date, the book value of the deferred income tax assets will be reviewed. In case that the Group is not likely to obtain adequate amount of taxable income in the future to offset the deferred income tax assets, the book value of the deferred income tax assets will be written down. When the Group is able to obtain an adequate amount of taxable income, the written-down amount will be reversed.

Income tax expense

Income tax expense includes the current income tax and the deferred income tax.

Except that current income tax and deferred income tax relating with transactions or events recognized into other comprehensive income or directly recorded as shareholders' equity are recognized as other comprehensive income or shareholders' equity, and that book value of the goodwill is adjusted for deferred income tax arising from business combination, all the other expenses or income from current income tax and deferred income tax will be recorded through current profit or loss.

Offset of income tax

When the Group has the statutory right to settle on a net basis, or intends either to settle on a net basis or realize assets and repay liabilities at the same time, its current income tax assets and liabilities will be presented by the net amount after offset.

The deferred income tax assets and liabilities of the Group will be presented by the net amount after offset in the case that the Group has the statutory right to settle the current income tax assets and liabilities on a net basis, and the deferred income tax assets and liabilities are related to the income tax levied from a single subject of taxation by a single taxation authority or related to the income tax levied from different subjects of taxation, but the subjects of taxation involved intend to settle the current income tax assets and liabilities on a net basis or realize assets and repay liabilities at the same time during a future period in which a significant deferred income tax asset and liability is reversed.

19. Fiduciary business

Generally, the Group manages assets on behalf of customers as the agent, trustee or other fiduciary capacities in accordance with the agent agreement concluded with securities investment fund, social security fund, insurance company, trust company and other institutions. The Group only provides services and charges fees according to the agent agreement and does not take risks and interests relating with the agency assets. The agency assets will not be recognized in the balance sheet of the Group.

The Group also engages in entrusted loans. The Group grants loans to borrowers as an intermediary based on the borrower, purpose, amount, interest rate and repayment plan determined by the principal, in accordance with the entrusted loan contract. The Group is responsible for granting and collecting entrusted loans and charges fees for services provided, but it does not take risks and interests relating with the entrusted loans. The entrusted loans and entrusted loan assets will not be recognized in the balance sheet of the Group.

20. Leasing

Financial lease is substantially a type of lease where all risks and compensations relating with the assets are transferred. Operating lease includes all leases other than the financial lease.

The Group records operating lease as the leaser

The rental income from operating lease is recognized through current profit or loss in each period of the lease term based on the straight-line method. The initial direct expenses with larger amount are capitalized at occurrence and recorded through current profit or loss over the whole lease period by phase according to the same basis as rental income recognition; other initial direct expenses with smaller amount are recorded through current profit or loss at occurrence. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

The Group records financial lease as the leaser

On the starting date of the financial lease, the sum of the minimum rental income and the initial direct expense will be posted as the financial lease receivable and recorded into loans and advances in the balance sheet. The unsecured balance will be recorded at the same time. The difference between the sum of minimum rental income, initial direct expense and unsecured balance and the present value thereof will be recognized as unrealized financing income. Within the lease period, the current interest income will be recognized based on the effective interest rate method. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

The Group records operating lease as the lessee

The rental expenses for operating lease are recognized as current profit or loss in each period of the lease term based on the straight-line method. Initial direct expenses are recorded through profit or loss. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

In the case that the leaser offers incentives for the operating lease, all the preferential factors arising from the incentives will be deducted from the rental expenses based on the straight-line method.

V. Major judgments made in accounting policy application and key assumptions and uncertainties adopted in accounting estimation

During the process of applying the accounting policies described in Note IV, the Group needs to make judgments, estimates and assumptions on the book value of statement items that cannot be measured accurately due to the inherent uncertainties of the operating activities. These judgments, estimates and assumptions are made based on the historical experience of the Management of the Group and other relevant factors, and therefore the actual results may be different from the estimates of the Group.

The Group regularly checks the foresaid judgments, estimates and assumptions on an ongoing basis. If the change in accounting estimates only has impact on the current period, it will be recognized in the current period; if it has impact on both the current period and future periods, it will be recognized in the current period and future periods.

On the balance sheet day, the Group needs to make judgments, estimates and assumptions on the amount of items in the financial statements in the following fields:

1. Impairment of loans and advances to customers

The Group conducts assessment on the allowance for impairment losses on loans on each balance sheet date. The Group makes judgments not only on the impairment losses on loans that can be identified one by one, but also the signs for decrease in future cash flows of the loan portfolio. The signs for impairment losses on loans include deteriorated repayment capability of borrowers in the loan portfolio or default of borrowers in the loan portfolio due to changes in the economic environment of the country or region. The amount of impairment losses on loans and advances assessed individually is the difference between the present value of the future cash flows and the book value of the said loans. When impairment losses on loans are assessed in portfolio, the Group calculates the future cash flows of the loan portfolio based on the historical experience obtained at the time when assets with similar credit risk features and objective evidences on impairment incur losses. The Group will regularly review the methods and assumptions used in estimating the amount and time of the future cash flows, to reduce the difference between the estimated impairment losses on loans and the actual losses.

2. Fair value of financial instruments

As for the financial instruments without active market, the Group adopts various valuation methods to determine their fair value. These methods include model analysis of discounting cash flows, option pricing model and other valuation methods (if applicable). In practical application, the models generally use observable data. The Management needs to evaluate such areas as credit risk, market fluctuation and relevance of the Group and counterparties. These changes in related assumptions will influence the fair value of the financial instruments.

3. Held-to-maturity investments

The Group classifies the non-derivative financial assets which have a fixed or determinable recoverable amount and fixed maturity and for which the Group has clear intent and ability to hold to maturity into held-to-maturity investments. Such classification work involves plenty of judgments. During the process of judgment, the Group will assess its willingness and ability to hold such investments to maturity. Except special cases (e.g. selling insignificant amount of investments close to the maturity date), if the Group fails to hold these investments to maturity, all such investments shall be reclassified as available-for-sale financial assets.

4. Impairment of the held-to-maturity investment

The Group depends on the judgments of the Management to a great extent for determining whether the held-to-maturity investments are impaired. The objective evidences for impairment include the situation where the financial assets cannot be traded in the active market and the contract can't be fulfilled (e.g. default on the payment of interest or principal) due to the material financial difficulties of the issuer. During the process of judgment, the Group needs to assess the impact of objective evidences for impairment on the estimated future cash flows of the investment.

5. Impairment of the available-for-sale financial assets

The Group depends on the judgments of the Management to a great extent for determining whether the available-for-sale financial assets are impaired. During the process of judgment, the Group needs to assess the extent to which and the duration when the fair value of the investment is lower than its cost, as well as the financial position and short-term business outlook of the investee, including industry status, technological reform, credit rating, default rate and counterparty's risks.

6. Impairment of Investments classified as receivables

The Group depends on the judgments of the Management to a great extent for determining whether the investments classified as receivables are impaired. The objective evidences for impairment include the situation where the contract on the financial assets can't be fulfilled due to the material financial difficulties of the issuer. During the process of judgment, the Group needs to assess the impact of objective evidences for impairment on the estimated future cash flows of the investment. The Group makes judgments not only on the impairment of investments classified as receivables that can be identified one by one, but also the signs for decrease in future cash flows of the investment portfolio. When impairment losses on investments classified as receivables are assessed in portfolio, the Group calculates the future cash flows of the loan portfolio based on the historical experience obtained at the time when assets with similar credit risk features and objective evidences on impairment incur losses.

7. Income tax

In the normal operating activities of the Group, there is uncertainty in the ultimate tax treatment and calculation of some transactions. Whether some items can be disbursed before tax is subject to the approval of the competent taxation authorities. If there is any difference between the ultimate determination result and the initially estimated amount of these tax items, the difference will pose impact on the current income tax and deferred income tax for the ultimate recognition period. At the same time, the Management of the Group needs to estimate the amount of deferred income tax assets that can be reversed in the future.

8. Judgment on control over structured entity

Where the Group serves as the manager or investor of the structured entity, it is necessary to assess whether the Group is the principal or agent so as to decide whether it has control over the structured entity. The Group decides whether it is the principal or agent based on such factors as its decision-making scope as the manager or investor, power of other parties, compensation of management services and the risk exposure of variable income.

VI. Changes in accounting policies

Since 1 July 2014, the Group has adopted the *Accounting Standards for Business Enterprises No. 39 – Measurement of Fair Value*, *Accounting Standards for Business Enterprises No. 40 – Joint Venture and Accounting Standards for Business Enterprises No. 41 – Equity Disclosure in Other Entities* newly released in 2014 by the Ministry of Finance and the revised *Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments*, *Accounting Standards for Business Enterprises No. 9 – Employee Compensation*, *Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements*, and *Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements*. Meanwhile, it applied the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* revised in 2014 by the Ministry of Finance in the 2014 financial statements.

1. Long-term equity investments

Before the *Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments* (revised) is implemented, as for equity investments with no quotation in the active market whose fair value can't be reliably measures and for which the Group has no control, joint control or significant influence on the investee, the Group adopts the cost method for accounting.

After the *Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments* (revised) is implemented, as for equity investments with no quotation in the active market whose fair value can't be reliably measures and for which the Group has no control, joint control or significant influence on the investee, the Group takes them as available-for-sale financial assets for accounting. The Group uses the retrospective adjustment method to make accounting treatment to the above changes in accounting policies.

2. Employee Compensation

Such contents as the definitions and classification of short-term compensation, paid absence, accumulative paid absence, profit-sharing plan, post-resignation welfare, demission welfare and other long-term employee welfare are added to the *Accounting Standards for Business Enterprises No. 9 – Employee Compensation* (revised) which specifies the accounting treatment to the defined contribution plan and defined benefit plan in the post-resignation welfare. The Management of the Group believes that adoption of the above accounting standards has no material impact on the financial statements of the Group.

3. Presentation of financial statements

The *Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements* (revised) classifies other comprehensive income into two categories: (1) other comprehensive income items that can't be reclassified as profit/loss in the subsequent accounting periods; (2) other comprehensive income items to be reclassified as profit/loss in the subsequent accounting periods when the specified conditions are met. It also regulates the presentation of held-for-sale items, etc. These financial statements have been presented according to the above accounting standards and the presentation of financial statements for comparable years has been adjusted accordingly.

4. Consolidated financial statements

The *Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements* (revised) has amended the definition of "control" and clearly specified the accounting treatment to special transactions. After the revision, "control" means that "the investor has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee". The Management of the Group believes that adoption of the above accounting standards has no material impact on the financial statements of the Group.

5. Presentation of financial instruments

Relevant rules and disclosure requirements on offset and disclosure requirements on financial asset transfer are added to and the disclosure requirements on maturity analysis of financial assets and financial liabilities are revised in the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* (revised). These financial statements have been disclosed according to the above accounting standards.

6. Measurement of fair value

Accounting Standards for Business Enterprises No. 39 – Measurement of Fair Value regulates the measurement and disclosure of fair value. *Adoption of the Accounting Standards for Business Enterprises No. 39 – Measurement of Fair Value* has no material impact on the measurement of items in the financial statements, but it requires more extensive disclosure on fair value in the notes to financial statements. These financial statements have been disclosed according to the above accounting standards.

7. Joint venture

The Accounting Standards for Business Enterprises No. 40 – Joint Venture classifies joint venture into joint operation and cooperative enterprise based on the rights and obligations of parties in the joint venture. The structure, legal form and contract clauses, etc. shall be taken into account in assessing the rights and obligations. Joint operation refers to a joint venture where the joint parties enjoy relevant assets and borne relevant liabilities. Cooperative enterprise refers to a joint venture where the joint parties only have rights over its net assets. The Management of the Group believes that adoption of the above accounting standards has no material impact on the financial statements of the Group.

8. Equity disclosure in other entities

The Accounting Standards for Business Enterprises No. 41 – Equity Disclosure in Other Entities applies to equity disclosure in subsidiaries, joint ventures, associates and structured entities excluded in the consolidated financial statements. Adoption of the Accounting Standards for Business Enterprises No. 41 – Equity Disclosure in Other Entities will result in more extensive disclosure in the notes to these financial statements of the Group. These financial statements have been disclosed according to the above accounting standards.

As for matters involving changes in accounting policies, the Group has adjusted the opening balance and comparison data of the previous year in these financial statements by the retrospective adjustment method, and restated the financial statements of comparable years. As at 1 January 2013 and 31 December 2013, changes in the above accounting policies resulted in increase of the book value of available-for-sale financial assets by RMB82 million and accordingly decrease of the book value of long-term equity investment by RMB82 million. Changes in the above accounting policies have no impact on the Group's total assets, total liabilities, total shareholders' equity, net profit and total comprehensive income.

VII. Major items

1. Enterprise income tax

Subjects of taxation of the Group pay the enterprise income tax at 25% of the taxable income pursuant to the *Enterprise Income Tax Law of the People's Republic of China*.

2. Business tax

The Group pays the business tax at 5% of the taxable turnover. The business tax shall be paid locally, which means branches of the Group declare and pay the business tax to local taxation authorities.

3. VAT

According to the *Notice on Trial Implementation of Changing Business Tax to VAT in Railway Transportation Industry and Postal Services Industry* (C.SH. [2013] No. 106), the Huaxia Financial Lease Co. Ltd., a subsidiary of the Group, has acted as a pilot enterprise for changing business tax to VAT in Kunming. As of 1 August 2013, the company has been paid VAT for tangible personal property at the rate of 17%.

4. Urban maintenance and construction tax

The Group calculates and pays the urban maintenance and construction tax at 5% or 7% of the business tax and VAT.

5. Education fee and surcharges

The Group calculates and pays the education fee and surcharges at 3% of the business tax and VAT.

VIII. Business Combination and Consolidated Financial Statements

Subsidiaries acquired through establishment or investment as at December 31, 2014 are as follows:

Name	Date of establishment	Register place	Registered Capital/ Paid-in capital (RMB1 million)	Shareholding percentage (%)	Voting rights percentage (%)	Minority interests (RMB1 million)	Business nature
Beijing Daxing Hua Xia Rural Bank Co., Ltd.	2010	Beijing	125	80.00	80.00	27	Bank
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	2011	Kunming	50	70.00	70.00	16	Bank
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	2011	Jiangyou	50	70.00	70.00	18	Bank
Hua Xia Financial Lease Co., Limited	2013	Kunming	3,000	82.00	82.00	580	Financial lease

For details on structured entities excluded in consolidated scope of the Group, please see Note XIV: Structured Entities Excluded in Consolidated Financial Statements.

IX. Notes to Major Items in the Financial Statements

1. Cash on hand and balances with central banks

		The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash on hand		3,786	3,548	3,778	3,538
Statutory reserves with central banks	(1)	229,425	207,782	229,255	207,615
Excess reserves with central banks	(2)	58,069	50,381	58,012	50,351
Other balances with central banks	(3)	968	516	968	516
Total		292,248	262,227	292,013	262,020

(1) The Group deposits statutory reserves for general deposits with PBOC as required. The percentage of reserves is specified below:

	31 December 2014	31 December 2013
RMB:		
The Bank	18.00%	18.00%
Beijing Daxing Hua Xia Rural Bank Co., Ltd.	14.00%	14.00%
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	14.00%	14.00%
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	13.00%	14.00%
Foreign currency:	5.00%	5.00%

(2) Excessive reserves with the central bank refer to the funds placed by the Group with the central bank in addition to the statutory reserves to ensure the normal withdrawal of deposits and business operations.

(3) Other funds placed with the central bank are deemed as fiscal deposits of the central bank, and PBOC pays no interest for the fiscal deposits.

2. Due from banks and other financial institutions

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Due from domestic banks and other financial institutions	57,561	36,768	57,463	36,698
Due from overseas banks and other financial institutions	5,147	3,483	5,147	3,483
Less: Allowance for impairment losses on due from banks and other financial institutions				
Individual assessment	(5)	(5)	(5)	(5)
Collective assessment	(37)	(42)	(37)	(42)
Book value of due from banks and other financial institutions	62,666	40,204	62,568	40,134

3. Placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2014	31 December 2013
Placements with domestic banks and other financial institutions	16,511	20,511
Placements with other domestic financial institutions	2,711	1,209
Less: Individual assessment on allowance for impairment losses on placements with banks and other financial institutions	(114)	(114)
Book value of placements with banks and other financial institutions	19,108	21,606

4. Financial assets measured at fair value through profit or loss

Held-for-trading financial assets

	The Group and the Bank	
	31 December 2014	31 December 2013
Bonds of public entities and quasi-governments	561	961
Bonds of financial institutions	203	5
Corporate bonds	8,302	7,733
Total	9,066	8,699

5. Derivative financial instruments

Non-hedging instruments:

The Group and the Bank			
31 December 2014			
	Contractual/ nominal principal	Fair value	
		Assets	Liabilities
Foreign exchange forward	15,449	79	117
Foreign exchange swap	179,216	543	436
Interest rate swap	3,050	3	3
Option agreement	121	—	—
Total		625	556

The Group and the Bank			
31 December 2013			
	Contractual/ nominal principal	Fair value	
		Assets	Liabilities
Foreign exchange forward	21,583	196	209
Foreign exchange swap	78,269	330	332
Interest rate swap	1,300	5	4
Option agreement	12,160	—	—
Total		531	545

Contractual/nominal amount refers to the unfinished trade volume on the balance sheet date instead of the risk amount.

6. Financial assets under reverse repurchase agreements

The Group and the Bank		
	31 December 2014	31 December 2013
Bonds	25,299	38,072
Bills	97,837	117,022
Total	123,136	155,094

7. Interest receivable

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Interest of loans and advances to customers	2,544	1,968	2,538	1,963
Interest of investments classified as receivables	2,289	968	2,289	968
Interest of held-to-maturity investment	1,878	1,379	1,878	1,379
Interest of available-for-sale financial assets	1,330	1,332	1,330	1,332
Interest of deposits and placements with banks and other financial institutions	677	324	677	322
Interest of financial assets under reverse repurchase agreements	491	1,390	491	1,390
Interest of financial assets measured at fair value through profit or loss	126	114	126	114
Total	9,335	7,475	9,329	7,468

On 31 December 2014 and 31 December 2013, the aging of interest receivable of the Group and the Bank was no more than one year.

8. Loans and advances to customers

(1) The Loans and advances are distributed to corporate and personal customers as follows:

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Corporate loans and advances	765,249	680,415	736,956	669,000
Of which: Loans	750,753	667,773	722,460	656,373
Bills of exchange for imports/exports	6,113	7,374	6,113	7,374
Discounting	8,383	5,268	8,383	5,253
Personal loans and advances	174,740	142,754	174,365	142,441
Of which: Housing mortgage	108,953	97,398	108,950	97,395
Credit Cards	33,589	18,403	33,589	18,403
Others	32,198	26,953	31,826	26,643
Total loans and advances to customers	939,989	823,169	911,321	811,441
Less: Allowance for impairment losses on loans and advances	(23,884)	(22,443)	(23,482)	(22,322)
Of Which Individual assessment	(5,595)	(4,639)	(5,595)	(4,639)
Collective assessment	(18,289)	(17,804)	(17,887)	(17,683)
Total	916,105	800,726	887,839	789,119

(2) The loans and advances are presented as follows by assessment method:

The Group						
Impaired loans and advances identified (ii)						
	Loans and advances for which allowance is set aside based on collective assessment (i)	Collective assessment on allowance for impairment	Individual assessment on allowance for impairment	Sub-total	Total	Percentage of impaired loans and advances identified in total loans and advances
31 December 2014						
Total loans and advances to customers	929,744	1,032	9,213	10,245	939,989	1.09%
Allowance for impairment losses on loans and advances	(17,546)	(743)	(5,595)	(6,338)	(23,884)	
Book value of loans and advances to customers	912,198	289	3,618	3,907	916,105	
31 December 2013						
Total loans and advances to customers	815,726	563	6,880	7,443	823,169	0.90%
Allowance for impairment losses on loans and advances	(17,404)	(400)	(4,639)	(5,039)	(22,443)	
Book value of loans and advances to customers	798,322	163	2,241	2,404	800,726	

The Bank						
Impaired loans and advances identified (ii)						
	Loans and advances for which allowance is set aside based on collective assessment (i)	Collective assessment on allowance for impairment	Individual assessment on allowance for impairment	Sub-total	Total	Percentage of impaired loans and advances identified in total loans and advances
31 December 2014						
Total loans and advances to customers	901,076	1,032	9,213	10,245	911,321	1.12%
Allowance for impairment losses on loans and advances	(17,144)	(743)	(5,595)	(6,338)	(23,482)	
Book value of loans and advances to customers	883,932	289	3,618	3,907	887,839	
31 December 2013						
Total loans and advances to customers	803,999	563	6,879	7,442	811,441	0.92%
Allowance for impairment losses on loans and advances	(17,283)	(400)	(4,639)	(5,039)	(22,322)	
Book value of loans and advances to customers	786,716	163	2,240	2,403	789,119	

(i) Referring to loans and advances whose impairment is yet to be identified. The allowance will be set aside by collective method.

(ii) Impaired loans and advances identified include loans whose impairment is objectively evidenced and identified. The allowance for impairment on these loans can be assessed and set aside by individual or collective methods.

(3) Allowance for impairment losses on loans and advances

The Group						
	2014			2013		
	Individual assessment on allowance for impairment	Collective assessment on allowance for impairment	Total	Individual assessment on allowance for impairment	Collective assessment on allowance for impairment	Total
Opening balance	4,639	17,804	22,443	3,606	16,701	20,307
Charge for the year	4,663	562	5,225	2,519	1,115	3,634
Recovery of written-off loans and advances	172	–	172	130	15	145
Transfer-out due to increase of present value	(154)	(13)	(167)	(139)	(3)	(142)
Write-offs for the year	(3,725)	(72)	(3,797)	(1,477)	(21)	(1,498)
Transfer-in for the year	–	8	8	–	–	–
Exchange differences	–	–	–	–	(3)	(3)
Ending balance	5,595	18,289	23,884	4,639	17,804	22,443

The Bank						
	2014			2013		
	Individual assessment on allowance for impairment	Collective assessment on allowance for impairment	Total	Individual assessment on allowance for impairment	Collective assessment on allowance for impairment	Total
Opening balance	4,639	17,683	22,322	3,606	16,692	20,298
Charge for the year	4,663	289	4,952	2,519	1,003	3,522
Recovery of written-off loans and advances	172	–	172	130	15	145
Transfer-out due to increase of present value	(154)	(13)	(167)	(139)	(3)	(142)
Write-offs for the year	(3,725)	(72)	(3,797)	(1,477)	(21)	(1,498)
Exchange differences	–	–	–	–	(3)	(3)
Ending balance	5,595	17,887	23,482	4,639	17,683	22,322

9. Available-for-sale financial assets

The Group and the Bank		
	31 December 2014	31 December 2013
Debt instruments		
Government bonds	9,320	9,011
Bonds of public entities and quasi-governments	28,870	25,341
Corporate bonds	25,176	30,782
Sub-total	63,366	65,134
Equity instrument	(1) 82	82
Total	63,448	65,216
Of which:		
Amortized cost of the available-for-sale debt instruments	63,258	67,601
Changes in fair value recorded in other comprehensive income accumulatively	108	(2,467)
Fair value of the available-for-sale debt instruments	63,366	65,134

(1) As the Group's equity instrument classified as available-for-sale financial assets for accounting has no quotation in the active market and its fair value can't be reliably measured, it is measured at cost.

10. Held-to-maturity investments

The Group and the Bank		
	31 December 2014	31 December 2013
Government bonds	95,179	78,267
Bonds of public entities and quasi-governments	23,058	14,592
Bonds of financial institutions	11,796	9,439
Corporate bonds	4,267	6,967
Certificates of deposit with banks and other financial institutions	1,977	–
Total	136,277	109,265

11. Investments classified as receivables

	The Group and the Bank	
	31 December 2014	31 December 2013
Government bonds	326	631
Bonds of financial institutions	2,900	3,100
Beneficiary rights of assets	198,970	180,195
Less: Collective assessment on allowance for impairment	(1,062)	–
Total	201,134	183,926

In accordance with the *Notice on Regulating Interbank Business of Financial Institutions* (Y.F. [2014 No. 127]), the Group reclassified the transactions with assets' beneficiary right as the subject matter originally recorded as financial assets under reverse repurchase agreements at the end of 2014 into investments classified as receivables for accounting, and adjusted the data in the financial statements in the comparison period (the end of 2013) accordingly.

12. Long-term equity investments

	The Bank	
	31 December 2014	31 December 2013
Subsidiaries		
– Hua Xia Financial Lease Co., Limited	2,460	2,460
– Beijing Daxing Hua Xia Rural Bank Co., Ltd.	100	100
– Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	35	35
Total	2,630	2,630

As at 31 December 2014 and 31 December 2013, there was no impairment in the Group's long-term equity investments.

13. Fixed assets

	The Group				
	Houses and buildings	Office supplies and electronic devices	Transportation facilities	Construction- in-process	Total
Original value					
1 January 2014	6,621	4,770	128	387	11,906
Acquisition in the year	111	927	8	1,155	2,201
Transfer-in/(transfer-out) of construction-in-process	33	–	–	(33)	–
Sale/disposal	–	(202)	(5)	–	(207)
31 December 2014	6,765	5,495	131	1,509	13,900
Accumulated depreciation					
1 January 2014	(1,270)	(2,515)	(49)	–	(3,834)
Charge for the year	(182)	(699)	(12)	–	(893)
Sale/disposal	–	181	5	–	186
31 December 2014	(1,452)	(3,033)	(56)	–	(4,541)
Allowance for impairment losses					
1 January 2014	–	–	–	–	–
31 December 2014	–	–	–	–	–
Net amount					
1 January 2014	5,351	2,255	79	387	8,072
31 December 2014	5,313	2,462	75	1,509	9,359

The Bank					
	Houses and buildings	Office supplies and electronic	Transportation facilities	Construction-in-process	Total
Original value					
1 January 2014	6,621	4,752	127	387	11,887
Acquisition in the year	111	924	7	1,155	2,197
Transfer-in/(transfer-out) of construction-in-process	33	–	–	(33)	–
Sale/disposal	–	(202)	(5)	–	(207)
31 December 2014	6,765	5,474	129	1,509	13,877
Accumulative depreciation					
1 January 2014	(1,270)	(2,508)	(49)	–	(3,827)
Charge for the year	(182)	(695)	(12)	–	(889)
Sale/disposal	–	181	5	–	186
31 December 2014	(1,452)	(3,022)	(56)	–	(4,530)
Allowance for impairment losses					
1 January 2014	–	–	–	–	–
31 December 2014	–	–	–	–	–
Net amount					
1 January 2014	5,351	2,244	78	387	8,060
31 December 2014	5,313	2,452	73	1,509	9,347

As at 31 December 2014, the Group has several houses and buildings that are in use but whose registration of title is in process. The Management of the Group expects that relevant formalities will neither affect the Group's succession of the asset rights nor cause adverse impact on its operation.

14. Intangible assets

	The Group	The Bank
Original value		
1 January 2014	97	96
Acquisition in the year	–	–
31 December 2014	97	96
Accumulated amortization		
1 January 2014	(6)	(6)
Charge for the year	(3)	(3)
31 December 2014	(9)	(9)
Total book value of intangible assets, net		
1 January 2014	91	90
31 December 2014	88	87
Residual amortization life (year)	8-36	36

Intangible assets include land use right and use right of computer software systems.

15. Deferred Taxation

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred income tax assets	4,419	4,475	4,378	4,470

(1) Change in balance of deferred income tax

	The Group		The Bank	
	2014	2013	2014	2013
Opening balance	4,475	3,279	4,470	3,278
Recorded into gain/loss of the year	588	676	552	672
Recorded into other comprehensive income	(644)	520	(644)	520
Ending balance	4,419	4,475	4,378	4,470

(2) Deferred income tax assets and liabilities

	The Group			
	31 December 2014		31 December 2013	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Allowance for impairment losses on loans	10,038	2,510	9,739	2,434
Wages set aside but not paid	6,590	1,647	5,045	1,261
Allowance for impairment losses on other assets	1,304	326	612	153
Changes in fair value of available-for-sale financial assets	(108)	(27)	2,467	617
Changes in fair value of financial assets measured at fair value through profit or loss and derivative financial instruments	(148)	(37)	34	8
Others	2	–	6	2
Sub-total	17,678	4,419	17,903	4,475

	The Bank			
	31 December 2014		31 December 2013	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Allowance for impairment losses on loans	9,924	2,481	9,738	2,434
Wages set aside but not paid	6,538	1,635	5,024	1,256
Allowance for impairment losses on other assets	1,304	326	612	153
Changes in fair value of available-for-sale financial assets	(108)	(27)	2,467	617
Changes in fair value of financial assets measured at fair value through profit or loss and derivative financial instruments	(148)	(37)	34	8
Others	2	–	6	2
Sub-total	17,512	4,378	17,881	4,470

16. Other assets

		The Group		The Bank	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Receivables and payment on account	(1)	2,232	2,908	2,191	2,019
Long-term prepaid expenses		1,275	1,152	1,255	1,135
Funds to be cleared		662	574	662	574
Repossessed assets to be disposed of	(2)	286	198	286	198
Others		159	8	8	8
Total		4,614	4,840	4,402	3,934

(1) Receivables and payment on account presented by aging

The Group								
Aging	31 December 2014				31 December 2013			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	1,522	54.91	(31)	1,491	1,910	55.39	(26)	1,884
1 – 2 years (inclusive)	173	6.24	(20)	153	453	13.14	(21)	432
2 – 3 years (inclusive)	209	7.54	(18)	191	293	8.50	(42)	251
More than 3 years	868	31.31	(471)	397	792	22.97	(451)	341
Total	2,772	100.00	(540)	2,232	3,448	100.00	(540)	2,908

The Bank								
Aging	31 December 2014				31 December 2013			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	1,481	54.24	(31)	1,450	1,013	39.71	(18)	995
1 – 2 years (inclusive)	173	6.33	(20)	153	453	17.76	(21)	432
2 – 3 years (inclusive)	209	7.65	(18)	191	293	11.49	(42)	251
More than 3 years	868	31.78	(471)	397	792	31.04	(451)	341
Total	2,731	100.00	(540)	2,191	2,551	100.00	(532)	2,019

(2) Repossessed assets to be disposed of

The Group and the Bank		
	31 December 2014	31 December 2013
Housing properties	335	332
Others	55	39
Less: Allowance for impairment losses on repossessed assets to be disposed of	(104)	(173)
Net amount	286	198

17. Allowance for impairment losses on assets

The Group							
2014							
	Opening balance	Charge/ (reversal) for the year	Transfer-in/ (transfer- out) for the year	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	47	(2)	–	–	–	(3)	42
Placements with banks and other financial institutions	114	–	–	–	–	–	114
Loans and advances to customers	22,443	5,225	(159)	172	(3,797)	–	23,884
Investments classified as receivables	–	1,062	–	–	–	–	1,062
Others	720	(9)	(43)	–	(27)	3	644
Total	23,324	6,276	(202)	172	(3,824)	–	25,746

The Group							
2013							
	Opening balance	Charge/ (reversal) for the year	Transfer-in/ (transfer- out) for the year	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	25	23	–	–	–	(1)	47
Placements with banks and other financial institutions	120	(6)	–	–	–	–	114
Loans and advances to customers	20,307	3,634	(142)	145	(1,498)	(3)	22,443
Others	734	39	(24)	–	(27)	(2)	720
Total	21,186	3,690	(166)	145	(1,525)	(6)	23,324

The Bank							
2014							
	Opening balance	Charge/(reversal) for the year	Transfer-in/(transfer-out) for the year	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	47	(2)	–	–	–	(3)	42
Placements with banks and other financial institutions	114	–	–	–	–	–	114
Loans and advances to customers	22,322	4,952	(167)	172	(3,797)	–	23,482
Investments classified as receivables	–	1,062	–	–	–	–	1,062
Others	712	(9)	(35)	–	(27)	3	644
Total	23,195	6,003	(202)	172	(3,824)	–	25,344

The Bank							
2013							
	Opening balance	Charge/(reversal) for the year	Transfer-in/(transfer-out) for the year	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	25	23	–	–	–	(1)	47
Placements with banks and other financial institutions	120	(6)	–	–	–	–	114
Loans and advances to customers	20,298	3,522	(142)	145	(1,498)	(3)	22,322
Others	734	31	(24)	–	(27)	(2)	712
Total	21,177	3,570	(166)	145	(1,525)	(6)	23,195

18. Due to central banks

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Mid-term credit facility	20,000	–	20,000	–
Others	58	30	–	–
Total	20,058	30	20,000	–

Mid-term credit facility refers to the monetary policies tools issued by PBOC to commercial banks and policy banks by means of pledge. At the end of 2014, the Bank held three-month mid-term credit facility at the interest rate of 3.5%, which was pledged with its bonds worth of RMB23,130 million.

19. Due from banks and other financial institutions

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Due to domestic banks	138,056	177,377	138,338	177,704
Due to overseas banks	19,837	7,911	19,837	7,911
Due to other domestic financial institutions	126,447	93,698	126,539	94,497
Total	284,340	278,986	284,714	280,112

20. Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Placements from domestic banks	34,884	25,545	14,510	17,849
Placements from overseas banks	7,254	9,093	7,254	9,093
Placements from other domestic financial institutions	500	900	500	900
Total	42,638	35,538	22,264	27,842

21. Financial assets under repurchase agreements

	The Group and the Bank	
	31 December 2014	31 December 2013
Bonds	40,072	59,669
Bills	130	215
Total	40,202	59,884

For details on the Group's assets taken as collaterals for repurchase, please see Note XII-6 Collaterals.

22. Deposits from customers

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Demand deposits				
Corporate deposits	381,336	393,615	380,674	392,924
Personal deposits	91,585	83,613	91,480	83,480
Time deposits				
Corporate deposits	445,784	377,330	445,733	377,238
Personal deposits	133,008	113,110	132,718	112,909
Security deposit received (1)	191,694	181,050	191,488	180,868
Structured deposits	56,755	26,616	56,755	26,616
Outward remittances and remittances outstanding	2,930	2,038	2,923	2,033
Others	124	220	124	220
Total	1,303,216	1,177,592	1,301,895	1,176,288

(1) Security deposit received is presented by item as follows:

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Security deposit for bank acceptance bills	151,690	137,135	151,548	137,013
Security deposit for L/C issuance	12,883	12,069	12,883	12,069
Security deposit for L/G issuance and Guarantee	2,986	2,486	2,986	2,486
Other security deposits	24,135	29,360	24,071	29,300
Total	191,694	181,050	191,488	180,868

23. Employees' compensation payable

	The Group 2014			
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	5,045	7,168	(5,623)	6,590
Employee welfare	–	958	(958)	–
Social insurance	28	1,370	(1,368)	30
Housing provident fund	27	654	(654)	27
Labor union funds and employee education expense	76	262	(254)	84
Others	2	618	(618)	2
Total	5,178	11,030	(9,475)	6,733

The Group				
2013				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	4,089	5,574	(4,618)	5,045
Employee welfare	–	769	(769)	–
Social insurance	16	1,149	(1,137)	28
Housing provident fund	32	577	(582)	27
Labor union funds and employee education expense	42	247	(213)	76
Others	2	590	(590)	2
Total	4,181	8,906	(7,909)	5,178

The Bank				
2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	5,024	7,086	(5,572)	6,538
Employee welfare	–	948	(948)	–
Social insurance	27	1,359	(1,359)	27
Housing provident fund	27	651	(651)	27
Labor union funds and employee education expense	75	259	(254)	80
Others	2	616	(618)	–
Total	5,155	10,919	(9,402)	6,672

The Bank				
2013				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	4,088	5,535	(4,599)	5,024
Employee welfare	–	766	(766)	–
Social insurance	16	1,146	(1,135)	27
Housing provident fund	32	576	(581)	27
Labor union funds and employee education expense	41	246	(212)	75
Others	2	588	(588)	2
Total	4,179	8,857	(7,881)	5,155

24. Taxes and dues payable

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Enterprise income tax	2,722	2,530	2,675	2,522
Business tax and surcharges	1,266	1,076	1,264	1,074
Others	89	144	86	143
Total	4,077	3,750	4,025	3,739

25. Interest payable

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Interest of deposits from customers	13,538	9,931	13,520	9,926
Interest of due from banks and other financial institutions	3,040	1,218	3,040	1,217
Interest of debt obligations payable	551	281	551	281
Interest of placements from banks and other financial institutions	238	124	31	77
Interest of due to central banks	142	–	142	–
Interest of financial assets under repurchase agreements	58	80	58	80
Total	17,567	11,634	17,342	11,581

26. Projected liabilities

	The Group and the Bank	
	31 December 2014	31 December 2013
Pending legal proceedings	2	2

27. Debt obligations payable

	The Group and the Bank	
	31 December 2014	31 December 2013
Mixed capital bonds	(1) 4,000	4,000
Subordinated bonds	(2) 4,400	4,400
Certificates of deposit with banks and other financial institutions	(3) 4,439	–
Offshore financial bonds	(4) 1,000	–
Tier-2 capital bonds	(5) 10,000	–
Total	23,839	8,400

(1) Mixed capital bonds

As approved by the CBRC and PBOC, the Bank issued RMB4 billion of mixed capital bonds from 26 to 27 June 2007. The bonds have a term of 15 years; and the issuer has one option to redeem all or part of the bonds at face value at the end of the tenth year to the maturity.

This issue of the bonds consists of RMB2.4 billion with a fixed interest rate and RMB1.6 billion with floating interest rates; the initial issuing interest rate of the bonds with a fixed interest rate as determined through bookkeeping files is 5.89% and the initial interest margin of the bonds with floating interest rates is 2%.

The interest of the bonds with a fixed interest rate is paid on an annual basis. In case that the issuer does not exercise the advance redemption option on the last day of the tenth year, commencing from the 11th interest accrual year, the interest of the bonds shall increase by 300 BPs on the basis of the initial issuing interest rate to 8.89%.

The annual interest rate of the bonds with floating interest rates is the sum of the benchmark interest rate and the basic interest margin. This benchmark interest rate is determined based on the interest rate of the one-year time savings deposits for lump-sum withdrawal published by PBOC applicable to the first issuing date and the value date of other interest accrual years. The basic interest margin of the first 10 years is 2%. In case that the issuer does not exercise the advance redemption option on the last day of the tenth year, commencing from the 11th interest year, the interest of the bonds shall increase by 100 BPs on the basis of the initial issuing interest margin to 3%.

The value date of the bonds was 27 June 2007. In case that the issuer does not exercise the redemption option, the interest period of the bonds will be from 27 June 2007 to 26 June 2022. Otherwise, the honoring date of the bonds redeemed shall be the honoring date as determined in the redemption announcement.

(2) Subordinated bonds

As approved by the CBRC and PBOC, the Bank issued the subordinated bonds of Hua Xia Bank Co., Ltd. for 2010 from 26 February to 2 March 2010 and the final issuance volume was RMB4.4 billion. The bonds are 10-year subordinated bonds at a fixed interest rate, and at the end of the fifth year the issuer may exercise the redemption option to redeem all bonds at face value.

The coupon rate of the bonds for the first five interest accrual years is 4.55%, which is unchanged during the period; if the issuer does not exercise the redemption option, the coupon rate for the later five interest accrual years will be increased by 300 BPs based on the initial issuing interest rate to 7.55% from the sixth interest accrual year to the end of the term.

(3) Certificates of deposit with banks and other financial institutions

As filed with PBOC, the Bank issued 6 certificates of deposit with banks and financial institutions in discount in 2014, with the total worth of RMB7.5 billion. As at 31 December 2014, two of the above certificates of deposit had matured, involving an amount of RMB3 billion and the remaining ones will successively mature in 2015.

(4) Offshore financial bonds

As approved by PBOC and the National Development and Reform Commission (NDRC), the Bank issued three-year offshore advanced RMB bonds on 30 June 2014 in Hong Kong Special Administration Region of People's Republic of China, involving the size of RMB1 billion. The coupon rate is fixed at 4.95% and the interest will be paid semiannually. The value date is 30 June 2014 and the maturity date is 30 June 2017.

(5) Tier-2 capital bonds

As approved by the CBRC and PBOC, the Bank issued the tier-2 capital bonds of Hua Xia Bank Co., Ltd. for 2014 from 24 to 25 July 2014 and the issuance volume was RMB10 billion. The bonds are 10-year bonds at a fixed interest rate, and at the end of the fifth year the issuer may exercise the redemption option to redeem all or part of bonds at face value.

Coupon rate of the bonds is fixed at 6.14%, and the interest is paid semiannually starting from 25 July 2014. In case that the issuer does not exercise the redemption option, the interest period of the bonds will be from 25 July 2014 to 25 July 2024. Otherwise, the interest period of the redeemed bonds will be from 25 July 2014 to 25 July 2019.

28. Other liabilities

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Security deposit for financial lease	2,900	1,188	–	–
On-lending	1,149	1,140	1,149	1,140
Deferred income	976	544	196	161
Funds to be settled and cleared payable	434	1,122	439	1,122
Others	842	895	834	885
Total	6,301	4,889	2,618	3,308

29. Share capital

	31 December 2014		31 December 2013	
	Total number of shares (million)	Nominal amount	Total number of shares (million)	Nominal amount
Registered, issued and paid in full amount				
A shares with par value of RMB1 per share	8,905	8,905	8,905	8,905

Note: A shares refer to ordinary shares domestically offered, and subscribed and traded in Renminbi.

According to the resolutions of the General Meeting of Shareholders of the Bank held on 18 June 2013 and the *Announcement on Implementing the Plan for 2012 Profit Distribution and Conversion of Capital Reserve to Share Capital of Hua Xia Bank Co., Limited* released on 18 July 2013, on 31 December 2012, the Bank converted the capital reserve into capital share at a ratio of 3 for 10 shares on the basis of 6,849,725,776 shares, and the registered capital was increased by RMB2,054,917,733. After the conversion, the registered capital was RMB8,904,643,509 and the total share capital was 8,904,643,509 shares with the value of RMB8,904,643,509. The newly increased capital has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (13) No. 0577).

On 31 December 2014 and 31 December 2013, the Bank has restricted A shares of 2,417 million with the par value of RMB1 per share.

30. Capital reserve

The Group 2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	–	30,542
Investment by minority shareholders at premium	1	–	–	1
Total	30,543	–	–	30,543

The Group 2013				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	32,597	–	(2,055)	30,542
Investment by minority shareholders at premium	–	1	–	1
Total	32,597	1	(2,055)	30,543

The Bank 2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	–	30,542

The Bank 2013				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	32,597	–	(2,055)	30,542

31. Surplus reserve

	The Group and the Bank	
	31 December 2014	31 December 2013
Statutory surplus reserve	6,023	4,474
Discretionary surplus reserve	111	111
Total	6,134	4,585

According to relevant laws of the People's Republic of China, the Bank must appropriate statutory surplus reserve at 10% of the net profit based on the PRC GAAP until the statutory surplus reserve accumulated to 50% of the share capital. After the statutory surplus reserve is appropriated, the Bank can determine its amount of discretionary surplus reserve on its own upon approval by the General Meeting of Shareholders.

As at 31 December 2013, statutory surplus reserve accumulatively appropriated by the Bank had exceeded 50% of the share capital and the statutory surplus reserve in excess of 50% shall be subject to approval by the General Meeting of Shareholders. For details on surplus reserve for 2014, please refer to Note IX-33 Undistributed Profit.

32. General reserve

	The Group and the Bank	
	31 December 2014	31 December 2013
General reserve	17,100	12,949

As of 1 July 2012, the Bank has set aside general reserve in accordance with the *Administrative Measures for Reserve Provisioning of Financial Enterprises* (C.J. [2012] No. 20). The general reserve is treated as profit distribution and its balance shall not be lower than 1.5% of the ending balance of risk assets in principle. It shall be in place within 5 years as of 1 July 2012.

For details on general reserve for 2014, please refer to Note IX-33 Undistributed Profit.

33. Retained profit**(1) Profit distribution for 2014**

The profit distribution plan for 2014 that is passed by the Board of Directors and submitted to the General Meeting of Shareholders for approval on 15 April 2015 is as follows:

(i) Set aside statutory surplus reserve of RMB1,780 million based on the Bank's net profit for 2014 which is RMB17,795 million;

(ii) Set aside general reserve of RMB4,327 million, after which the Bank's balance of general reserve reaches 1.5% of the outstanding risk assets on 31 December 2014;

(iii) Distribute dividends to all shareholders at the rate of RMB4.35 (pre-tax) per 10 shares, totaling RMB3,874 million, based on the Bank's total share capital of 8,904,643,509 shares at the end of 2014.

(iv) Convert the capital reserve into share capital at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares at 31 December 2014, which increases the registered capital by RMB1,780,928,702. Afterwards, the total share capital will record 10,685,572,211, equivalent to RMB10,685,572,211.

The above profit distribution plan is subject to approval by the Bank's General Meeting of Shareholders. Before that, accounting treatment is not made to the proposed surplus reserve and general reserve as well as the plans for dividend distribution and conversion of capital reserve into share capital.

(2) Profit distribution for 2013

The Bank has implemented the profit distribution plan for 2013 that was approved by the General Meeting of Shareholders on 22 May 2014 and announced by the Bank on 4 July 2014. Particulars are as follows:

(i) Set aside statutory surplus reserve of RMB1,549 million. The statutory surplus reserve has been recorded in the balance sheet of the Bank and the Group dated 31 December 2014.

(ii) Set aside general reserve of RMB4,151 million. The general reserve has been recorded in the balance sheet of the Bank and the Group dated 31 December 2014.

(iii) Based on the total of 8,904,643,509 shares at the end of 2013, the Bank paid to shareholders on the register book on the equity right registration date (9 July 2014) dividends of RMB4.35 per 10 shares (pre-tax), totaling RMB3,874 million. In the year ended 31 December 2014, the above dividends were distributed.

(3) Profit distribution for 2012

According to resolution of the General Meeting of Shareholders on 18 June 2013, based on the total of 6,849,725,776 shares at the end of 2012, the Bank paid to shareholders on the register book on the equity right registration date (23 July 2013) cash dividends of RMB4.70 per 10 shares (pre-tax), totaling RMB3,219 million. In the year ended 31 December 2013, the above dividends were distributed.

34. Net interest income

	The Group		The Bank	
	2014	2013	2014	2013
Interest income				
Loans and advances to customers	58,272	50,100	56,840	49,799
Of which: Corporate loans and advances	48,607	42,604	47,203	42,325
Personal loans and advances	9,342	7,100	9,314	7,078
Discounted bills	323	396	323	396
Investments classified as receivables	15,626	3,316	15,626	3,316
Held-to-maturity investments	5,303	4,424	5,303	4,424
Financial assets under reverse repurchase agreements	5,243	8,532	5,243	8,532
Balances with central banks	3,785	3,334	3,781	3,332
Available-for-sale financial assets	3,007	3,139	3,007	3,139
Due from banks and other financial institutions	2,024	1,951	2,023	1,964
Placements with banks and other financial institutions	706	975	726	975
Financial assets measured at fair value through profit or loss	396	482	396	482
Sub-total	94,362	76,253	92,945	75,963

	The Group		The Bank	
	2014	2013	2014	2013
Interest expense				
Deposits from customers	(27,904)	(23,209)	(27,887)	(23,198)
Due from banks and other financial institutions	(16,228)	(10,247)	(16,270)	(10,291)
Placements from banks and other financial institutions	(1,881)	(1,570)	(926)	(1,447)
Financial assets under repurchase agreements	(1,197)	(1,835)	(1,197)	(1,835)
Debt obligations payable	(767)	(423)	(767)	(423)
Others	(144)	(67)	(143)	(66)
Sub-total	(48,121)	(37,351)	(47,190)	(37,260)
Net interest income	46,241	38,902	45,755	38,703
Of which: Interest income from impaired financial assets identified	167	142	167	142

35. Net fee and commission income

	The Group		The Bank	
	2014	2013	2014	2013
Fee and commission income				
Wealth management	2,299	2,157	2,299	2,157
Bank card service	1,897	1,074	1,897	1,074
Agency service	1,634	1,471	1,634	1,471
Credit commitments	1,360	992	1,359	992
Custody and other entrusted business	972	489	972	489
Lease business	279	48	—	—
Settlement and clearing	41	45	41	45
Consulting and advisory service	35	122	35	122
Others	164	463	164	463
Sub-total	8,681	6,861	8,401	6,813
Fee and commission expense				
Fee expense	(1,029)	(549)	(1,012)	(545)
Net fee and commission income	7,652	6,312	7,389	6,268

Fee expenses mainly include expenses for UnionPay card services, agency settlement, international agency payment, etc.

36. Investment gains/(losses)

	The Group and the Bank	
	2014	2013
Investment gains/(losses) resulted from trading of the available-for-sale financial assets	129	(54)
Investment gains/(losses) resulted from trading of financial assets measured at fair value through profit or loss	219	(48)
Others	232	(14)
Total	580	(116)

37. Gains/(losses) from changes in fair value

	The Group and the Bank	
	2014	2013
Financial assets measured at fair value through profit or loss	99	(25)
Derivative financial instruments	83	(25)
Total	182	(50)

38. Foreign exchange gains

Foreign exchange gains mainly include income from foreign exchange differences and translation differences from foreign currency-denominated currency assets and liabilities.

39. Business tax and surcharges

	The Group		The Bank	
	2014	2013	2014	2013
Business tax	3,454	2,889	3,429	2,878
Urban maintenance and construction tax	242	201	240	201
Education surcharges and others	189	156	188	156
Total	3,885	3,246	3,857	3,235

40. General and administrative expenses

		The Group		The Bank	
		2014	2013	2014	2013
Employee compensation and benefits	(1)	11,030	8,906	10,919	8,857
Operating expense		7,115	6,525	7,074	6,492
Depreciation and amortization		2,477	2,173	2,459	2,166
Total		20,622	17,604	20,452	17,515

(1) Employee compensation and benefits

	The Group		The Bank	
	2014	2013	2014	2013
Salaries and bonuses	7,168	5,574	7,086	5,535
Employee welfare	958	769	948	766
Social insurance	1,370	1,149	1,359	1,146
Housing provident fund	654	577	651	576
Labor union funds and employee education expense	262	247	259	246
Others	618	590	616	588
Total	11,030	8,906	10,919	8,857

41. Impairment losses on assets

	The Group		The Bank	
	2014	2013	2014	2013
Loans and advances to customers	5,225	3,634	4,952	3,522
Investments classified as receivables	1,062	—	1,062	—
Placements with banks and other financial institutions	—	(6)	—	(6)
Due from banks and other financial institutions	(2)	23	(2)	23
Others	(9)	39	(9)	31
Total	6,276	3,690	6,003	3,570

42. Income tax expense

	The Group		The Bank	
	2014	2013	2014	2013
Current income tax expense	6,568	5,870	6,452	5,859
Deferred income tax expense	(588)	(676)	(552)	(672)
Total	5,980	5,194	5,900	5,187

Adjustments to income tax expense and accounting profit are presented as follows:

	The Group		The Bank	
	2014	2013	2014	2013
Total profit before tax	24,003	20,705	23,695	20,672
Income tax calculated at the statutory rate of 25%	6,001	5,176	5,923	5,168
Adjustment in respect of current income tax of prior years	—	4	—	4
Plus: tax effect of non-deductible expenses	882	727	880	727
Less: tax effect of non-taxable income	(903)	(713)	(903)	(712)
Total	5,980	5,194	5,900	5,187

43. Other comprehensive income

Other comprehensive income to be classified as profit/loss

The Group and the Bank					
2014					
Changes in other comprehensive income for the year					
	Opening balance	Increase over the year	Decrease over the year	Sub-total of changes	Ending balance
Net fair value changes of available-for-sale financial assets	(2,467)	2,446	129	2,575	108
Impact of changes in fair value of available-for-sale financial assets on income tax	617	(611)	(33)	(644)	(27)
Total	(1,850)	1,835	96	1,931	81

The Group and the Bank

2013

Changes in other comprehensive income for the year

	Opening balance	Increase over the year	Decrease over the year	Sub-total of changes	Ending balance
Net fair value changes of available-for-sale financial assets	(385)	(2,028)	(54)	(2,082)	(2,467)
Impact of changes in fair value of available-for-sale financial assets on income tax	97	507	13	520	617
Total	(288)	(1,521)	(41)	(1,562)	(1,850)

Other comprehensive income items abovementioned will be reclassified as profit/loss in the subsequent accounting periods when the specified conditions are met. Except those mentioned above, the Bank has no other comprehensive income items that can't be reclassified as profit/loss in the subsequent accounting periods.

44. Earnings per share

	2014	2013
Net profit attributable to shareholders of the parent company in the year	17,981	15,506
Weighted average ordinary shares in issue (million shares)	8,905	8,905
Basic earnings per share (RMB yuan)	2.02	1.74

At the end of 2014, the Company had no potential diluted ordinary shares.

45. Cash and cash equivalents

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash on hand	3,786	3,548	3,778	3,538
Balances with central banks	58,069	50,381	58,012	50,351
Due from banks, placements with banks and other financial institutions and financial assets under reverse repurchase agreements	158,373	162,418	158,275	162,347
Total	220,228	216,347	220,065	216,236

46. Supplementary information on the Statement of Cash Flows

	The Group		The Bank	
	2014	2013	2014	2013
Net profit adjusted into cash flows from operating activities:				
Net profit	18,023	15,511	17,795	15,485
Plus: Impairment losses on assets	6,276	3,690	6,003	3,570
Depreciation on fixed assets	893	798	889	795
Amortization of intangible assets	3	2	3	2
Amortization on long-term prepaid expenses	1,581	1,373	1,567	1,369
Interest income of securities and other investments classified as receivables	(24,332)	(11,361)	(24,332)	(11,361)
Loss/(gain) on disposal of fixed, intangible and other long-term assets	7	(6)	7	(6)
Loss/(gain) on changes in fair value	(182)	50	(182)	50
Investment loss/(gain)	(580)	116	(580)	116
Exchange loss	77	10	77	10
Deferred income tax	(588)	(676)	(552)	(672)
Interest income from impaired financial assets identified	(167)	(142)	(167)	(142)
Interest expense on debt obligations issued	767	423	767	423
Decrease/(increase) of operating receivables	(136,277)	69,407	(120,022)	81,358
Increase/(decrease) of business payables	147,381	171,950	131,553	163,326
Net cash flows from operating activities	12,882	251,145	12,826	254,323
Net change of cash and cash equivalents:				
Cash and cash equivalents at the end of the period	220,228	216,347	220,065	216,236
Less: Cash and cash equivalents at the beginning of the period	(216,347)	(145,165)	(216,236)	(144,897)
Net increase in cash and cash equivalents	3,881	71,182	3,829	71,339

X. Segment Report

The Group determines the operating segments according to the organizational framework, management requirement and internal reporting system, and on this basis, determines the reporting segments.

An operating segment refers to the component within the Group meeting the following conditions at the same time: (1) such component can generate income and incur expenses in the daily activities; (2) the management of the enterprise can regularly assess the operating results of the component to determine the resources allocated to it and assess its performance; (3) the enterprise can obtain the accounting information relating to the component's financial position, operating results and cash flows.

The Group's reporting segments include Northern and Northeastern China, Eastern China, Southern and Central China and Western China. Particularly speaking:

(1) Northern and Northeastern China: Beijing, Tianjin, Hebei, Shandong, Liaoning, Inner Mongolia and Jilin;

(2) Eastern China: Jiangsu, Shanghai, Zhejiang and Anhui;

(3) Southern and Central China: Guangdong, Guangxi, Hubei, Hunan, Shanxi, Fujian, Henan and Jiangxi; and

(4) Western China: Shaanxi, Xinjiang, Sichuan, Chongqing and Yunnan.

Accounting policies of the operating segments maintain the same with the major accounting policies of the Group.

When presenting information by operating segment, operating income is divided on the basis of location of branches generating income. Segment assets and capital expenditure are divided by the location of the related assets.

2014	Northern and Northeastern China	Eastern China	Central China and Southern China	Western China	Offset among segments	Total
Operating income	22,328	13,095	11,425	8,037	–	54,885
Net interest income	17,902	11,363	9,925	7,051	–	46,241
Of which:						
Net external interest income	20,696	8,676	9,570	7,299	–	46,241
Segmental net interest income	(2,794)	2,687	355	(248)	–	–
Net fee and commission income	3,599	1,654	1,435	964	–	7,652
Other net operating income	827	78	65	22	–	992
Operating expenses	(10,856)	(9,050)	(7,036)	(4,052)	–	(30,994)
Operating profit	11,472	4,045	4,389	3,985	–	23,891
Supplementary information						
1. Depreciation and amortization expenses	1,297	532	392	256	–	2,477
2. Capital expenditures	1,763	1,197	583	428	–	3,971
3. Impairment losses on assets	(276)	3,434	2,160	958	–	6,276
31 December 2014						
Segment assets	1,505,280	516,487	402,132	270,937	(847,627)	1,847,209
Undistributed assets						4,419
Total assets						1,851,628
Segment liabilities	1,421,234	513,221	398,333	264,368	(847,627)	1,749,529
Undistributed liabilities						–
Total Liabilities						1,749,529

2013	Northern and Northeastern China	Eastern China	Central China and Southern China	Western China	Offset among segments	Total
Operating income	18,305	11,023	8,928	6,965	(2)	45,219
Net interest income	15,728	9,539	7,572	6,063	–	38,902
Of which:						
Net external interest income	18,932	7,183	6,458	6,329	–	38,902
Segmental net interest income	(3,204)	2,356	1,114	(266)	–	–
Net fee and commission income	2,731	1,395	1,309	877	–	6,312
Other net operating income	(154)	89	47	25	(2)	5
Operating expenses	(7,983)	(8,704)	(4,967)	(2,907)	2	(24,559)
Operating profit	10,322	2,319	3,961	4,058	–	20,660
Supplementary information						
1. Depreciation and amortization expenses	1,148	471	333	221	–	2,173
2. Capital expenditures	1,329	669	427	237	–	2,662
3. Impairment losses on assets	(1,357)	3,760	1,001	286	–	3,690
31 December 2013						
Segment assets	1,177,915	392,760	312,568	236,225	(451,496)	1,667,972
Undistributed assets						4,475
Total assets						1,672,447
Segment liabilities	1,108,510	390,978	309,017	229,419	(451,496)	1,586,428
Undistributed liabilities						–
Total Liabilities						1,586,428

XI. Related Parties and Related Party Transactions

1. Related parties

There is no related party that controls or jointly controls the Bank. Other related parties are as follows:

(1) Shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank

Name of related shareholder	Register place	Legal Representative/ CEO	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)
Shougang Corporation	Beijing	Jin Wei	Industry, construction, geological exploration, transportation, etc.	RMB7,264 million	20.28	20.28
SGCC Yingda International Holdings Corporation, Ltd.	Beijing	Fei Shengying	Investment and assets operation and management; assets custody, rendering services for enterprise restructuring, M&A, strategic placement and venture capital investment; investment consultation; and investment advisory	RMB19 billion	18.24	18.24
DEUTSCHE BANK LUXEMBOURG S.A	Luxembourg	Boris N. Liedtke	Conducting various proprietary and agency banking and financial businesses; engaging in insurance brokerage via natural persons with official license, and other activities directly or indirectly related.	EUR3,959 million	9.28	9.28
DEUTSCHE BANK AKTIENGESELLSCHAFT	Frankfurt, Federal Republic of Germany	Jürgen Fitschen and Anshuman Jain	Engaging in various banking business, providing services in terms of capital, fund management, real estate finance, financing, research and advisory, etc.	EUR3,531 million	8.21	8.21

As at 31 December 2014, the registered capital of DEUTSCHE BANK AKTIENGESELLSCHAFT increased by EUR921 million compared with 31 December 2013.

In November 2009, the Bank was informed that DEUTSCHE BANK AKTIENGESELLSCHAFT accepted 171,200,000 shares of the Bank held by SAL.OPPENHEIM JR. & CIE.KOMMANDITGESELLSCHAFT AUF AKTIEN through agreement. In September 2011, the Bank received the *Reply of the CBRC concerning the Issues relating to Equity Transfer of Hua Xia Bank* (Y.J.F. [2011] No. 396), approving the above-mentioned equity transfer. As at 31 December 2014, the registration procedures for the above-mentioned equity transfer have not been completed yet.

(2) Subsidiaries of the Bank

Please refer to Note VIII Business Combination and Consolidated Financial Statements.

(3) Other related parties

Other related parties include:

(i) key management personnel (directors, supervisors and senior executives of the Head Office), or their close family members;

(ii) enterprises controlled or jointly controlled by key management personnel or their close family members;

(iii) State Grid Corporation of China (parent company of SGCC Yingda International Holdings Corporation, Ltd., the related party shareholder of the Bank) and its subsidiaries

(iv) Guangzhou Xinsheng Investment Co., Ltd., Guangzhou Guangyu Industrial Co., Ltd., Guangzhou Qitong Industrial Co., Ltd., Guangzhou Zhongqin Investment Co., Ltd. and Guangzhou Kaijin Investment Co., Ltd. (As these five companies were persons acting in concert and jointly held 5% of the Bank's shares in the year ended 31 December 2014, they were deemed as related parties of the Bank), and their actual controller Evergrande Group (registered in Guangzhou) and its subsidiaries.

2. Related party transactions

Related party transactions between the Bank and its related parties, whose pricing will be based on general transaction price according to normal commercial terms, shall be subject to the approval of corresponding decision-making institution by transaction type.

(1) Related party transactions with shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank and their subsidiaries

	31 December 2014		31 December 2013	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Loans and advances to customers	7,090	0.77	6,537	0.82
Interest receivable	12	0.13	13	0.17
Liabilities				
Placements from banks and other financial institutions	262	0.61	52	0.15
Deposits from customers	1,600	0.12	1,414	0.12
Due from banks and other financial institutions	2	–	–	–
Interest payable	42	0.24	1	0.01
Off-balance-sheet items				
Letter of guarantee issued	13	0.06	–	–
Letter of credit issued	597	0.78	184	0.26
Bank acceptance bills	302	0.09	313	0.11

	2014		2013	
	Transaction amount	Percentage (%) ⁽ⁱ⁾	Transaction amount	Percentage (%) ⁽ⁱ⁾
Interest income	415	0.44	353	0.46
Interest expense	55	0.11	32	0.09

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(2) Related party transactions with subsidiaries

	31 December 2014	31 December 2013
Due from banks and other financial institutions	–	25
Due from banks and other financial institutions	374	1,125

Related party transactions between the Bank and its subsidiaries are offset in the preparation of the consolidated financial statements.

(3) Related parties transactions with other related parties

	31 December 2014		31 December 2013	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Loans and advances to customers	408	0.04	535	0.07
Available-for-sale financial assets	950	1.50	950	1.46
Held-to-maturity investments	600	0.44	600	0.55
Interest receivable	68	0.72	58	0.78
Liabilities				
Deposits from customers	1,090	0.08	1,181	0.10
Interest payable	15	0.09	15	0.13
Off-balance-sheet items				
Letter of guarantee issued	2	0.01	38	0.31
Letter of credit issued	44	0.06	68	0.10
Bank acceptance bills	93	0.03	121	0.04

	2014		2013	
	Transaction amount	Percentage (%) ⁽ⁱ⁾	Transaction amount	Percentage (%) ⁽ⁱ⁾
Interest income	109	0.11	95	0.12
Interest expense	40	0.08	14	0.04

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(4) Remuneration of key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including directors, supervisors and senior management members. Directors of the Bank are of the view that related party transactions between key management personnel stated above and the Bank are carried out under normal commercial terms as the same with those with non-related parties.

Remunerations of directors, supervisors and key senior management members received from the Bank are set out below:

	2014	2013
Remunerations	32	26

The total compensation before tax for Chairman, President, Chairman of the Board of Supervisors, employee representative supervisors and other senior management members of the Bank is in the process of determination, and the remaining part will be disclosed separately after determination. Nevertheless, the Management of the Group expects that the difference between the above amount and the final compensation amount will not pose material influence on the consolidated financial statements of 2014.

(5) Enterprise annuity

Except the normal fund contribution to enterprise annuity created by the Bank and general banking businesses, the Bank has no related party transactions in 2014 and 2013.

XII. Contingencies and Commitments**1. Pending legal proceedings**

As at 31 December 2014, the claimed amount of pending legal proceedings against the Bank and its subsidiaries totaled RMB161 million (RMB203 million as at 31 December 2013). Based on court order or suggestions of legal consultants, the Group has set aside provisions for losses arising from legal proceedings against it. The Management of the Group believes that the final court decision on these legal proceedings will not impose material impact on the Group's financial position or operation. Provisions for legal proceeding losses set aside based on suggestions of internal and external legal consultants are presented in Note IX-26 Projected Liabilities.

2. Capital expenditure commitments

	Note	The Group and the Bank	
		31 December 2014	31 December 2013
Capital commitments signed but not confirmed in the financial statements			
Commitment to purchase long-term assets	(1)	594	285
External investment commitments	(2)	60	60
Total		654	345

(1) Commitment to purchase long-term assets is the unpaid account estimated in construction-in process of the Bank.

(2) On 14 October 2010, the 25th meeting of the 5th Board of Directors of the Bank reviewed and approved the *Proposal on Initiating the Setup of Songyang Hua Xia Rural Bank in Zhejiang*, agreeing to contribute capital to the setup of a rural bank in Songyang, Zhejiang Province with the registered capital of RMB50 million to RMB100 million, of which the Bank held 51% (inclusive) – 60% of shares. As at 31 December 2014, the rural bank was yet to be established.

3. Credit commitments

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Bank acceptance bills	327,567	286,995	327,323	286,737
Letter of credit issued	76,292	71,333	76,292	71,333
Letter of guarantee issued	21,263	12,272	21,262	12,272
Irrevocable loan commitment	10,376	1,449	10,176	555
Unused credit card limit	22,786	15,918	22,786	15,918
Total	458,284	387,967	457,839	386,815

4. Financial lease commitments

On the balance sheet date, the minimum lease payment maturity under the irrevocable financial lease contracts signed by the Group as the lessor is as follows:

	The Group	
	31 December 2014	31 December 2013
Within 1 year	200	–

5. Operating lease commitments

On the balance sheet date, the minimum lease payment maturity under the irrevocable operating lease contracts signed by the Group and the Bank as the lessee is as follows:

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	1,294	989	1,280	974
1 – 2 years	1,155	885	1,149	878
2 – 3 years	998	782	995	776
3 – 5 years	1,637	1,188	1,630	1,178
More than 5 years	1,515	1,198	1,508	1,188
Total	6,599	5,042	6,562	4,994

6. Collateral

(1) Collateral assets

On the balance sheet date, the book value of assets used as collaterals for transactions under repurchase agreements is as follows:

	The Group and the Bank	
	31 December 2014	31 December 2013
Bonds	40,490	60,178
Bills	119	212
Total	40,609	60,390

On 31 December 2014, the book value of financial assets under repurchase agreements of the Group was RMB40,202 million (31 December 2013: RMB59,884 million).

In addition, partial bond investment of the Group is used as collaterals for on-lending, third-party lending, time deposits of commercial banks under cash management of the central treasury and mid-term credit facility of PBOC or as collaterals according to regulatory requirements. On 31 December 2014, the book value of the above collaterals was RMB43,002 million (31 December 2013: RMB15,983 million).

(2) Collaterals received

The Group accepts such collaterals as cash or securities in relevant business under reverse repurchase agreements. Some of the securities accepted can be sold or re-used as collaterals. On 31 December 2014, the book value of such collaterals as securities that can be sold or reused as collaterals accepted by the Group was RMB99 billion (31 December 2013: RMB117 billion). The Group had not re-mortgaged the above collaterals as at 31 December 2014 and 31 December 2013.

7. Government bonds underwriting and redemption

As a member of the underwriter group of savings government bonds of the Ministry of Finance (MOF), the Group underwrites and sells savings government bonds as an agent. Holders of savings government bonds may request redemption in advance and the Group is obliged to perform the duty of redemption. The Group is obliged to redeem the principal of the savings government bonds and the interest payable determined according to the early redemption agreement.

On 31 December 2014, the Group is obliged to redeem the savings government bond principal of RMB6,335 million (31 December 2013: RMB5,859 million). The original term of the above savings government bonds ranges from 1 to 5 years. The Management expects that the amount of redemption of these savings government bonds through the Group prior to maturity will not be material.

The MOF will not provide fund for the early redemption of these savings government bonds in a timely manner but is obliged to repay the principal and the interest upon maturity or according to documents issued.

8. Entrusted transaction

(1) Entrusted deposits and loans

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Entrusted loans	310,849	222,455	310,419	222,104
Entrusted loan funds	310,849	222,455	310,419	222,104

(2) Entrusted investments

	The Group and the Bank	
	31 December 2014	31 December 2013
Entrusted investments	294,619	216,166

Entrusted investment means that the Group manages customer assets as entrusted by the non-principal-guaranteed wealth management customer and the investment risk of entrusted assets is taken by the customer.

XIII. Transfer of financial assets

The Group conducted transactions under repurchase agreements with counterparties. On 31 December 2014, the book value of bond assets and bill assets sold by the Group under repurchase agreements totaled RMB40,609 million (31 December 2013: RMB60,390 million). At the same time, it undertook that it would repurchase such bonds or bills at the agreed-upon price on a preset future date. The sales income of the above bonds and bills was presented as financial assets under repurchase agreements, which was RMB40,202 million (31 December 2013: RMB59,884 million). According to the repurchase agreements, the legal ownership of the bonds and bills is not transferred during the transaction period. In addition, the Group shall not sell or mortgage such bonds and bills during the transaction period, without consent of both parties. Therefore, the Group deems that almost all the risks and compensations relating with such bonds and bills are retained within the Group. Consequently, the Group did not derecognize these bonds and bills from the consolidated financial statements; instead, it deemed them as collaterals for pledged loans acquired from counterparties. Claim of the counterparties is not limited to such transferred assets.

XIV. Structured Entities Excluded in Consolidated Financial Statements**1. Interests and rights enjoyed in structured entities sponsored by the Group but excluded in the consolidated financial statements**

Structured entities sponsored by the Group but excluded in the consolidated financial statements mainly include non-principal-guaranteed wealth management products issued by the Bank. The nature and purpose of these structured entities are to manage investors' assets and charge management fees. They raise fund by issuing investment products to investors. The Group obtains fee and commission income mainly by managing these structured entities.

As at 31 December 2014, the Group launched unconsolidated structured entities worth of RMB294,619 million (as at 31 December 2013: RMB216,166 million). In the year ended 31 December 2014, the Group gained fee and commission income of RMB2,299 million (in the year ended 31 December 2013: RMB2,157 million) from the above unconsolidated structured entities.

As at 31 December 2014 and 31 December 2013, the Group provided no financial or other supports to structured entities excluded in the consolidated financial statements. It also has no plan to do so.

2. Rights and interests enjoyed in structured entities sponsored by third-party institutions

The Group enjoys rights and interests in structured entities sponsored by third-party institutions by directly holding investments. These structured entities mainly include beneficiary rights of assets and asset-backed securities whose nature and purpose are to manage investors' assets and charge management fees. They raise fund by issuing investment products to investors.

The book value and maximum loss exposure of rights and interests enjoyed by the Group in structured entities sponsored by third-party institutions by directly holding investments are presented as follows:

		The Group	
		31 December 2014	31 December 2013
	Items of the balance sheet		
Beneficiary rights of assets	Investments classified as receivables	197,908	180,195
Asset-backed securities	Held-to-maturity investments	3,475	–
Total		201,383	180,195

XV. Risk Management

1. Overview

The Group mainly faces credit risk, market risk and liquidity risk. Market risk includes exchange rate risk, interest rate risk and other price risks.

2. Risks management framework

The Management of the Group is responsible for determining the overall risk appetite, and reviewing and approving the risk management objectives and strategies of the Group.

The risk management framework: Senior Management of the Group is responsible for the overall and specific risk management, including implementing risk management strategies, measures and credit policies, approving the internal rules, measures and procedures concerning risk management and establishing a risk management department and other relevant departments to manage financial risks.

3. Credit risk

3.1 Credit risk management

Credit risk refers to the possibility of loss and uncertainty of income of banks caused by customer default or decreased credit standing, when commercial banks operate credit, inter-bank lending and investment businesses. The credit risk of the Group mainly exists in the on-balance-sheet and off-balance-sheet businesses including loans and advances, inter-bank lending, bond investments, bill acceptance, L/C, and L/G. The credit risk management process of the Group confirms and manages the above risks by mainly focusing on pre-loan due diligence, credit rating, loan approval procedure, loan-granting management, post-lending monitoring and loan collection management procedure.

Before granting credit to a single customer, the Group will conduct credit appraisal first and regularly inspect the credit limit granted. The means for credit risk management include acquisition of collaterals and warranty. As for the off-balance-sheet credit commitment, the Group will charge security deposit to reduce the credit risk in general.

The Group classifies loans and advances to customers into five categories, namely pass, special-mention, substandard, doubtful and loss. The last three categories are deemed as non-performing loans (NPLs). Loan impairment is mainly determined by the possibility of repayment and recovery of principal and interest. Major assessment factors include repayment ability, credit record, repayment willingness, profitability of loan project, guarantee or mortgage measures and legal liability for loan repayment of the borrower. The Group sets aside allowance for loan impairment by collective assessment or individual assessment.

The Group assesses the impairment of the loans and advances to customers at the end of the reporting period according to the accounting policies specified in Note IV. In addition, at the end of the reporting period, the Group will analyze the contract amount of loans and advances to customers and report it to the Management for assessing credit risk.

The definitions of the Group's five-tier classifications of loans and advances to customers are listed as below:

- Pass: The borrower is able to perform the loan clauses and there is no reason for doubting the timely and full-amount repayment of loan principal and interest.
- Special-mention: Though the borrower is capable of repaying the loans at present, there are factors that are likely to adversely influence the repayment.
- Substandard: The repayment ability of the borrower is obviously doubtful and its normal operating income can't be fully relied on to repay the principal and interest. Even if guarantee or mortgage measures are taken, there still might be certain loss.
- Doubtful: The borrower can't repay the principal and interest in full amount. Even if guarantee or mortgage measures are taken, there must be material loss.
- Loss: The principal or interest can't be recovered or only a small portion can be recovered after the Group takes all possible measures and resorts to all necessary legal proceedings.

The accounting standards used by the Group to assess the impairment loss of financial assets are specified in Note IV-8(2) "Impairment of Financial Assets".

3.2 Maximum credit risk exposure

Without regard to the available collaterals or other credit enhancement measures, the amounts of the maximum credit exposure on the balance sheet date are presented as follows:

	The Group	
	31 December 2014	31 December 2013
Balances with central banks	288,462	258,679
Due from and placements with banks and other financial institutions	81,774	61,810
Financial assets measured at fair value through profit or loss	9,066	8,699
Derivative financial assets	625	531
Financial assets under reverse repurchase agreements	123,136	155,094
Loans and advances to customers	916,105	800,726
Available-for-sale financial assets	63,366	65,134
Held-to-maturity investments	136,277	109,265
Investments classified as receivables	201,134	183,926
Other financial assets	12,231	10,959
On-balance-sheet credit risk exposure	1,832,176	1,654,823
Off-balance-sheet credit risk exposure	458,284	387,967
Maximum credit risk exposure	2,290,460	2,042,790

	The Bank	
	31 December 2014	31 December 2013
Balances with central banks	288,235	258,482
Due from and placements with banks and other financial institutions	81,676	61,740
Financial assets measured at fair value through profit or loss	9,066	8,699
Derivative financial assets	625	531
Financial assets under reverse repurchase agreements	123,136	155,094
Loans and advances to customers	887,839	789,119
Available-for-sale financial assets	63,366	65,134
Held-to-maturity investments	136,277	109,265
Investments classified as receivables	201,134	183,926
Other financial assets	12,184	10,063
On-balance-sheet credit risk exposure	1,803,538	1,642,053
Off-balance-sheet credit risk exposure	457,839	386,815
Maximum credit risk exposure	2,261,377	2,028,868

The Group will adopt a series of policies and credit enhancement measures to reduce the credit risk exposure to an acceptable level. Common methods include asking the borrower to pay security deposit or providing collaterals or warranty. The amount and type of collaterals required by the Group depend on the assessment of the credit risk of the counterparty. As for the type and assessment parameters of collaterals, the Group has formulated relevant guideline and it takes the acceptable type and its value as the specific implementation standard.

The types of collaterals accepted by the Group are as follows:

- (1) Reverse repurchase transactions: bills, bonds, beneficiary rights of assets, etc;
- (2) Corporate loans: house property, machinery equipments, land use rights, certificate of deposits and equity, etc; and
- (3) Personal loans: house property and certificate of deposits, etc.

The Management regularly inspects the value of collaterals and requires the counterparty to increase the collaterals if necessary.

3.3 Derivative financial instruments

The credit risk of derivative financial instruments of the Group lies in whether the counterparty is able to make payments timely in line with the contract. As for the evaluation and control standard for credit risk of derivative financial instruments, the Group applied the same risk control standard with the other transactions.

3.4 Off-balance-sheet business risk

The Group includes the off-balance-sheet business into unified credit management. As for the off-balance-sheet businesses such as bank acceptance bills, L/C and L/G, the Bank requires authentic trading background, charges security deposit in corresponding proportion based on the credit status of customers and business risk level, and requires effective guarantee for the remaining parts. The Group strictly controls financing L/G and other high-risk off-balance-sheet businesses.

3.5 Credit quality of various assets with credit risk

31 December 2014 (the Group)					
	Neither overdue nor impaired financial assets	Overdue not but impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	288,462	–	–	–	288,462
Due from and placements with banks and other financial institutions	81,811	–	119	(156)	81,774
Financial assets measured at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	625	–	–	–	625
Financial assets under reverse repurchase agreements	123,136	–	–	–	123,136
Loans and advances to customers	917,082	12,662	10,245	(23,884)	916,105
Available-for-sale financial assets	63,366	–	–	–	63,366
Held-to-maturity investments	136,277	–	–	–	136,277
Investments classified as receivables	202,196	–	–	(1,062)	201,134
Other financial assets	12,156	–	615	(540)	12,231
Total	1,834,174	12,665	10,979	(25,642)	1,832,176

31 December 2013 (the Group)					
	Neither overdue nor impaired financial assets	Overdue not but impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	258,679	–	–	–	258,679
Due from and placements with banks and other financial institutions	61,852	–	119	(161)	61,810
Financial assets measured at fair value through profit or loss	8,694	5	–	–	8,699
Derivative financial assets	531	–	–	–	531
Financial assets under reverse repurchase agreements	155,094	–	–	–	155,094
Loans and advances to customers	809,868	5,858	7,443	(22,443)	800,726
Available-for-sale financial assets	65,134	–	–	–	65,134
Held-to-maturity investments	109,265	–	–	–	109,265
Investments classified as receivables	183,926	–	–	–	183,926
Other financial assets	10,930	–	576	(547)	10,959
Total	1,663,973	5,863	8,138	(23,151)	1,654,823

31 December 2014 (the Bank)					
	Neither overdue nor impaired financial assets	Overdue not but impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	288,235	–	–	–	288,235
Due from and placements with banks and other financial institutions	81,713	–	119	(156)	81,676
Financial assets measured at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	625	–	–	–	625
Financial assets under reverse repurchase agreements	123,136	–	–	–	123,136
Loans and advances to customers	888,415	12,661	10,245	(23,482)	887,839
Available-for-sale financial assets	63,366	–	–	–	63,366
Held-to-maturity investments	136,277	–	–	–	136,277
Investments classified as receivables	202,196	–	–	(1,062)	201,134
Other financial assets	12,109	–	615	(540)	12,184
Total	1,805,135	12,664	10,979	(25,240)	1,803,538

31 December 2013 (the Bank)					
	Neither overdue nor impaired financial assets	Overdue not but impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	258,482	–	–	–	258,482
Due from and placements with banks and other financial institutions	61,782	–	119	(161)	61,740
Financial assets measured at fair value through profit or loss	8,694	5	–	–	8,699
Derivative financial assets	531	–	–	–	531
Financial assets under reverse repurchase agreements	155,094	–	–	–	155,094
Loans and advances to customers	798,141	5,858	7,442	(22,322)	789,119
Available-for-sale financial assets	65,134	–	–	–	65,134
Held-to-maturity investments	109,265	–	–	–	109,265
Investments classified as receivables	183,926	–	–	–	183,926
Other financial assets	10,026	–	576	(539)	10,063
Total	1,651,075	5,863	8,137	(23,022)	1,642,053

Overdue financial assets refer to the financial assets with principal or interest overdue for 1 day or above.

3.6 Loans and advances to customers

(1) The Loans and advances are distributed by industry as follows:

Industry	The Group			
	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	212,005	22.55	212,017	25.75
Wholesale and retail	138,005	14.68	128,655	15.63
Leasing and commercial services	89,815	9.56	64,265	7.81
Property development	76,170	8.10	71,924	8.74
Construction	73,448	7.81	61,471	7.47
Transportation, storage and postal services	49,794	5.30	42,622	5.18
Mining	28,441	3.04	25,122	3.05
Production and supply of electric power, heating power, gas and water	22,966	2.44	22,561	2.74
Other public industries	66,222	7.04	46,510	5.65
Discounted bills	8,383	0.89	5,268	0.64
Personal loans	174,740	18.59	142,754	17.34
Total loans and advances to customers	939,989	100.00	823,169	100.00

Industry	The Bank			
	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	198,970	21.83	207,975	25.63
Wholesale and retail	137,804	15.12	128,435	15.83
Leasing and commercial services	89,785	9.85	64,235	7.92
Property development	76,170	8.36	71,924	8.86
Construction	73,378	8.05	59,162	7.29
Transportation, storage and postal services	43,392	4.76	42,109	5.19
Mining	23,921	2.63	22,391	2.76
Production and supply of electric power, heating power, gas and water	20,776	2.28	21,158	2.61
Other public industries	64,377	7.07	46,358	5.71
Discounted bills	8,383	0.92	5,253	0.65
Personal loans	174,365	19.13	142,441	17.55
Total loans and advances to customers	911,321	100.00	811,441	100.00

(2) The Loans and advances are distributed by region as follows:

Geographic region	The Group			
	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Northern and Northeastern China	333,331	35.46	289,957	35.22
Eastern China	269,904	28.71	245,089	29.77
Central China and Southern China	203,794	21.68	167,916	20.40
Western China	132,960	14.15	120,207	14.61
Total loans and advances to customers	939,989	100.00	823,169	100.00

Geographic region	The Bank			
	31 December 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Northern and Northeastern China	320,656	35.19	282,272	34.79
Eastern China	268,081	29.42	245,089	30.20
Central China and Southern China	194,780	21.37	167,916	20.69
Western China	127,804	14.02	116,164	14.32
Total loans and advances to customers	911,321	100.00	811,441	100.00

(3) The Loans and advances are distributed by collateral as follows:

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Unsecured loans	133,136	120,630	133,135	120,629
Guaranteed loans	299,161	268,952	298,471	268,282
Loans secured by collaterals	507,692	433,587	479,715	422,530
Of which: Mortgage loans	394,674	335,152	366,812	324,191
Pledged loans	113,018	98,435	112,903	98,339
Total loans and advances to customers	939,989	823,169	911,321	811,441

(4) Overdue loans

The Group					
31 December 2014					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	990	359	307	5	1,661
Guaranteed loans	5,772	2,509	1,898	251	10,430
Mortgage loans	4,082	1,580	904	461	7,027
Pledged loans	1,432	1,526	509	241	3,708
Total	12,276	5,974	3,618	958	22,826

The Group					
31 December 2013					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	642	307	40	21	1,010
Guaranteed loans	2,345	1,813	1,276	222	5,656
Mortgage loans	1,341	879	1,420	268	3,908
Pledged loans	1,388	670	342	204	2,604
Total	5,716	3,669	3,078	715	13,178

The Bank					
31 December 2014					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	990	359	307	5	1,661
Guaranteed loans	5,772	2,509	1,898	251	10,430
Mortgage loans	4,082	1,579	904	461	7,026
Pledged loans	1,432	1,526	509	241	3,708
Total	12,276	5,973	3,618	958	22,825

The Bank					
31 December 2013					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	642	307	40	21	1,010
Guaranteed loans	2,345	1,813	1,275	222	5,655
Mortgage loans	1,341	879	1,420	268	3,908
Pledged loans	1,388	670	342	204	2,604
Total	5,716	3,669	3,077	715	13,177

Note: If the principal or interest of a loan becomes overdue for more than 1 day, it will be classified as an overdue loan as a whole.

(5) Credit quality of loans and advances to customers

The Group			
	Note	31 December 2014	31 December 2013
Neither overdue nor impaired	(i)	917,082	809,868
Overdue but not impaired	(ii)	12,662	5,858
Impaired	(iii)	10,245	7,443
Total loans and advances to customers		939,989	823,169

The Bank			
	Note	31 December 2014	31 December 2013
Neither overdue nor impaired	(i)	888,415	798,141
Overdue but not impaired	(ii)	12,661	5,858
Impaired	(iii)	10,245	7,442
Total loans and advances to customers		911,321	811,441

Note: If the principal or interest of a loan becomes overdue for more than 1 day, it will be classified as an overdue loan as a whole.

(i) Loans and advances neither overdue nor impaired

The Group			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	745,043	(13,698)	731,345
Personal loans and advances	172,039	(2,783)	169,256
Total	917,082	(16,481)	900,601

The Group			
31 December 2013			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	668,712	(14,301)	654,411
Personal loans and advances	141,156	(2,762)	138,394
Total	809,868	(17,063)	792,805

The Bank			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	716,751	(13,305)	703,446
Personal loans and advances	171,664	(2,774)	168,890
Total	888,415	(16,079)	872,336

The Bank			
31 December 2013			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	657,298	(14,184)	643,114
Personal loans and advances	140,843	(2,758)	138,085
Total	798,141	(16,942)	781,199

(ii) Loans and advances overdue but not impaired

Analysis on term of overdue but unimpaired loans and advances to customers is as follows:

31 December 2014 (the Group)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans	5,211	2,863	1,994	925	10,993	6,202
Personal loans	885	357	292	135	1,669	2,177
Total	6,096	3,220	2,286	1,060	12,662	8,379

31 December 2014 (the Bank)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans	5,211	2,863	1,994	924	10,992	6,199
Personal loans	885	357	292	135	1,669	2,177
Total	6,096	3,220	2,286	1,059	12,661	8,376

31 December 2013 (The Group and the Bank)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans	1,958	1,669	800	396	4,823	3,892
Personal loans	747	190	80	18	1,035	1,453
Total	2,705	1,859	880	414	5,858	5,345

(iii) Impaired loans and advances to customers

The Group			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	9,213	(5,595)	3,618
Collective assessment	1,032	(743)	289
Total	10,245	(6,338)	3,907

The Group			
31 December 2013			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	6,880	(4,639)	2,241
Collective assessment	563	(400)	163
Total	7,443	(5,039)	2,404

Of which:

The Group		
	31 December 2014	31 December 2013
Impaired loans assessed individually	9,213	6,880
Percentage of impaired loans assessed individually in total loans and advances to customers	0.98%	0.84%
Fair value of collaterals	6,938	5,222

The Bank			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	9,213	(5,595)	3,618
Collective assessment	1,032	(743)	289
Total	10,245	(6,338)	3,907

The Bank			
31 December 2013			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	6,879	(4,639)	2,240
Collective assessment	563	(400)	163
Total	7,442	(5,039)	2,403

Of which:

The Bank		
	31 December 2014	31 December 2013
Impaired loans assessed individually	9,213	6,879
Percentage of impaired loans assessed individually in total loans and advances to customers	1.01%	0.85%
Fair value of collaterals	6,938	5,222

3.7 Credit quality of debt instruments

The Group and the Bank			
	Note	31 December 2014	31 December 2013
Neither overdue nor impaired	(1)	410,902	367,019
Overdue but not impaired		3	5
Collective assessment on allowance for impairment		(1,062)	–
Book value of debt instruments		409,843	367,024

(1) Neither overdue nor impaired debt instruments

The Group and the Bank					
31 December 2014					
Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Government bonds	–	9,320	95,179	326	104,825
Bonds of public entities and quasi-governments	561	28,870	23,058	–	52,489
Bonds of financial institutions	201	–	11,796	2,900	14,897
Corporate bonds	8,301	25,176	4,267	–	37,744
Certificates of deposit with banks and other financial institutions	–	–	1,977	–	1,977
Beneficiary rights of assets	–	–	–	198,970	198,970
Total	9,063	63,366	136,277	202,196	410,902

The Group and the Bank					
31 December 2013					
Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Government bonds	–	9,011	78,267	631	87,909
Bonds of public entities and quasi-governments	961	25,341	14,592	–	40,894
Bonds of financial institutions	–	–	9,439	3,100	12,539
Corporate bonds	7,733	30,782	6,967	–	45,482
Beneficiary rights of assets	–	–	–	180,195	180,195
Total	8,694	65,134	109,265	183,926	367,019

(2) The debt instruments are classified based on credit ratings of credit rating agencies widely accepted in the market

The Group and the Bank						
31 December 2014						
	No rating	AAA	AA	A	Below A	Total
Government bonds	104,825	–	–	–	–	104,825
Bonds of public entities and quasi-governments	49,221	3,268	–	–	–	52,489
Bonds of financial institutions	3,154	9,771	1,975	–	–	14,900
Corporate bonds	15,792	10,772	11,180	–	–	37,744
Certificates of deposit with banks and other financial institutions	1,977	–	–	–	–	1,977
Beneficiary rights of assets	198,970	–	–	–	–	198,970
Total	373,939	23,811	13,155	–	–	410,905

The Group and the Bank						
31 December 2013						
	No rating	AAA	AA	A	Below A	Total
Government bonds	87,909	–	–	–	–	87,909
Bonds of public entities and quasi-governments	37,250	3,644	–	–	–	40,894
Bonds of financial institutions	3,555	8,089	900	–	–	12,544
Corporate bonds	19,979	13,459	12,044	–	–	45,482
Beneficiary rights of assets	180,195	–	–	–	–	180,195
Total	328,888	25,192	12,944	–	–	367,024

3.8 Renegotiated financial assets

The carrying amount of renegotiated financial assets which were identified as overdue or impaired is as follows:

	31 December 2014	31 December 2013
Loans and advances to customers	3	24

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to make repayments when liabilities fall due. Liquidity risk may be resulted from mismatch of cash flows or terms between assets and liabilities.

The Bank has established the Asset & Liabilities Management Committee which is responsible for formulation, organization and implementation of the administrative policies on liquidity risk, established multi-channel financing mechanism, and designed a series of daily liquidity monitoring indicator systems complying with the actuality of the Bank based on the applicability principle, in accordance with the indicator system on liquidity risk monitoring of regulatory authorities. Meanwhile, taking into account both the economic efficiency and liquidity, the Bank held some government bonds and central bank bills in the assets portfolio, which could not only achieve stable investment income, but also be sold off or repurchased in the secondary market at any time to fulfill the liquidity requirements.

4.1 Liquidity analysis

(1) Maturity analysis

The table below analyzes the carrying amount of financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of contract:

The Group 31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,425	62,823	–	–	–	–	–	292,248
Due from banks and other financial institutions	–	10,234	10,880	10,666	29,411	1,475	–	62,666
Placements with banks and other financial institutions	–	–	18,108	–	1,000	–	–	19,108
Financial assets measured at fair value through profit or loss	3	–	902	1,100	2,384	4,348	329	9,066
Derivative financial assets	–	–	204	174	245	2	–	625
Financial assets under reverse repurchase agreements	–	–	59,778	62,245	1,113	–	–	123,136
Loans and advances to customers	14,635	–	74,504	85,258	335,132	247,853	158,723	916,105
Available-for-sale financial assets	82	–	200	919	7,919	42,837	11,491	63,448
Held-to-maturity investments	–	–	594	2,411	5,939	47,461	79,872	136,277
Investments classified as receivables	–	–	9,818	16,008	22,421	147,076	5,811	201,134
Other financial assets	87	2,837	3,926	2,328	2,059	992	2	12,231
Total financial assets	244,232	75,894	178,914	181,109	407,623	492,044	256,228	1,836,044
Financial liabilities								
Due to central banks	–	–	–	20,000	58	–	–	20,058
Due from and placements with banks and other financial institutions	–	20,862	107,577	71,680	112,417	14,442	–	326,978
Derivative financial liabilities	–	–	152	164	238	2	–	556
Financial assets under repurchase agreements	–	–	38,504	1,683	15	–	–	40,202
Deposits from customers	–	722,750	563	79,920	382,246	117,737	–	1,303,216
Debt obligations payable	–	–	–	6,385	2,454	15,000	–	23,839
Other financial liabilities	–	3,178	984	2,070	6,984	10,278	374	23,868
Total financial liabilities	–	746,790	147,780	181,902	504,412	157,459	374	1,738,717
Net position	244,232	(670,896)	31,134	(793)	(96,789)	334,585	255,854	97,327

The Group								
31 December 2013								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	207,782	54,445	–	–	–	–	–	262,227
Due from banks and other financial institutions	–	9,987	9,530	13,777	4,910	2,000	–	40,204
Placements with banks and other financial institutions	–	–	18,607	1,055	1,944	–	–	21,606
Financial assets measured at fair value through profit or loss	5	–	375	1,900	1,485	4,104	830	8,699
Derivative financial assets	–	–	123	105	293	10	–	531
Financial assets under reverse repurchase agreements	–	–	83,862	58,009	13,223	–	–	155,094
Loans and advances to customers	4,839	–	55,164	86,672	324,782	174,284	154,985	800,726
Available-for-sale financial assets	82	–	866	1,103	7,709	40,044	15,412	65,216
Held-to-maturity investments	–	–	90	1,350	6,730	35,540	65,555	109,265
Investments classified as receivables	–	–	3,009	42,041	52,523	79,398	6,955	183,926
Other financial assets	86	2,646	2,986	2,301	2,496	421	23	10,959
Total financial assets	212,794	67,078	174,612	208,313	416,095	335,801	243,760	1,658,453
Financial liabilities								
Due to central banks	–	–	–	–	30	–	–	30
Due from and placements with banks and other financial institutions	–	29,404	131,578	54,875	94,721	3,946	–	314,524
Derivative financial liabilities	–	–	136	105	295	9	–	545
Financial assets under repurchase agreements	–	–	59,732	71	81	–	–	59,884
Deposits from customers	–	650,124	20,267	76,264	368,625	62,312	–	1,177,592
Debt obligations payable	–	–	–	–	–	8,400	–	8,400
Other financial liabilities	–	5,612	763	606	4,669	4,355	518	16,523
Total financial liabilities	–	685,140	212,476	131,921	468,421	79,022	518	1,577,498
Net position	212,794	(618,062)	(37,864)	76,392	(52,326)	256,779	243,242	80,955

The Bank								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,255	62,758	–	–	–	–	–	292,013
Due from banks and other financial institutions	–	10,156	10,860	10,666	29,411	1,475	–	62,568
Placements with banks and other financial institutions	–	–	18,108	–	1,000	–	–	19,108
Financial assets measured at fair value through profit or loss	3	–	902	1,100	2,384	4,348	329	9,066
Derivative financial assets	–	–	204	174	245	2	–	625
Financial assets under reverse repurchase agreements	–	–	59,778	62,245	1,113	–	–	123,136
Loans and advances to customers	14,634	–	73,963	83,721	328,250	228,950	158,321	887,839
Available-for-sale financial assets	82	–	200	919	7,919	42,837	11,491	63,448
Held-to-maturity investments	–	–	594	2,411	5,939	47,461	79,872	136,277
Investments classified as receivables	–	–	9,818	16,008	22,421	147,076	5,811	201,134
Other financial assets	87	2,795	3,921	2,328	2,059	992	2	12,184
Total financial assets	244,061	75,709	178,348	179,572	400,741	473,141	255,826	1,807,398
Financial liabilities								
Due to central banks	–	–	–	20,000	–	–	–	20,000
Due from and placements with banks and other financial institutions	–	21,105	104,847	69,858	97,477	13,691	–	306,978
Derivative financial liabilities	–	–	152	164	238	2	–	556
Financial assets under repurchase agreements	–	–	38,504	1,683	15	–	–	40,202
Deposits from customers	–	721,945	500	79,792	381,986	117,672	–	1,301,895
Debt obligations payable	–	–	–	6,385	2,454	15,000	–	23,839
Other financial liabilities	–	3,169	940	1,980	6,593	7,202	76	19,960
Total financial liabilities	–	746,219	144,943	179,862	488,763	153,567	76	1,713,430
Net position	244,061	(670,510)	33,405	(290)	(88,022)	319,574	255,750	93,968

The Bank								
31 December 2013								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	207,615	54,405	–	–	–	–	–	262,020
Due from banks and other financial institutions	–	9,955	9,467	13,802	4,910	2,000	–	40,134
Placements with banks and other financial institutions	–	–	18,607	1,055	1,944	–	–	21,606
Financial assets measured at fair value through profit or loss	5	–	375	1,900	1,485	4,104	830	8,699
Derivative financial assets	–	–	123	105	293	10	–	531
Financial assets under reverse repurchase agreements	–	–	83,862	58,009	13,223	–	–	155,094
Loans and advances to customers	4,839	–	55,033	86,117	322,243	166,546	154,341	789,119
Available-for-sale financial assets	82	–	866	1,103	7,709	40,044	15,412	65,216
Held-to-maturity investments	–	–	90	1,350	6,730	35,540	65,555	109,265
Investments classified as receivables	–	–	3,009	42,041	52,523	79,398	6,955	183,926
Other financial assets	86	2,528	2,979	2,301	1,727	421	21	10,063
Total financial assets	212,627	66,888	174,411	207,783	412,787	328,063	243,114	1,645,673
Financial liabilities								
Due from and placements with banks and other financial institutions	–	29,900	132,208	53,876	88,024	3,946	–	307,954
Derivative financial liabilities	–	–	136	105	295	9	–	545
Financial assets under repurchase agreements	–	–	59,732	71	81	–	–	59,884
Deposits from customers	–	649,605	19,880	76,170	368,361	62,272	–	1,176,288
Debt obligations payable	–	–	–	–	–	8,400	–	8,400
Other financial liabilities	–	5,598	749	568	4,582	3,312	80	14,889
Total financial liabilities	–	685,103	212,705	130,790	461,343	77,939	80	1,567,960
Net position	212,627	(618,215)	(38,294)	76,993	(48,556)	250,124	243,034	77,713

(2) Undiscounted contract cash flows classified by expiry date of contract

The table below presents the undiscounted cash flows of non-derivative financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of the contract:

The Group								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,425	62,823	–	–	–	–	–	292,248
Due from banks and other financial institutions	–	10,234	11,066	11,255	30,327	1,712	–	64,594
Placements with banks and other financial institutions	–	–	18,158	14	1,014	–	–	19,186
Financial assets measured at fair value through profit or loss	3	–	926	1,183	2,733	5,049	383	10,277
Financial assets under reverse repurchase agreements	–	–	60,379	63,088	1,140	–	–	124,607
Loans and advances to customers	22,194	–	80,684	95,590	370,042	321,139	226,720	1,116,369
Available-for-sale financial assets	82	–	439	1,464	10,106	49,319	12,952	74,362
Held-to-maturity investments	–	–	969	3,466	10,206	65,570	132,109	212,320
Investments classified as receivables	–	–	10,780	18,877	30,006	165,515	7,157	232,335
Other financial assets	49	2,837	–	–	–	10	–	2,896
Total financial assets	251,753	75,894	183,401	194,937	455,574	608,314	379,321	2,149,194
Financial liabilities								
Due to central banks	–	–	–	20,179	59	–	–	20,238
Due from and placements with banks and other financial institutions	–	21,173	108,378	73,757	117,523	16,753	–	337,584
Financial assets under repurchase agreements	–	–	38,574	1,700	15	–	–	40,289
Deposits from customers	–	723,092	1,093	80,874	392,764	130,854	–	1,328,677
Debt obligations payable	–	–	–	6,600	3,385	17,973	–	27,958
Other financial liabilities	–	2,519	22	62	227	3,097	374	6,301
Total financial liabilities	–	746,784	148,067	183,172	513,973	168,677	374	1,761,047
Net position	251,753	(670,890)	35,334	11,765	(58,399)	439,637	378,947	388,147

The Group								
31 December 2013								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	207,782	54,445	–	–	–	–	–	262,227
Due from banks and other financial institutions	–	10,004	9,541	13,889	5,084	2,137	–	40,655
Placements with banks and other financial institutions	–	–	18,630	1,066	1,981	–	–	21,677
Financial assets measured at fair value through profit or loss	5	–	389	1,951	1,729	4,878	1,025	9,977
Financial assets under reverse repurchase agreements	–	–	84,633	59,204	13,673	–	–	157,510
Loans and advances to customers	9,517	–	60,237	94,842	356,422	236,412	222,378	979,808
Available-for-sale financial assets	82	–	1,107	1,733	9,880	49,750	18,289	80,841
Held-to-maturity investments	–	–	219	2,160	10,304	50,321	115,768	178,772
Investments classified as receivables	–	–	3,393	43,777	57,394	91,571	7,709	203,844
Other financial assets	75	2,629	–	5	781	10	2	3,502
Total financial assets	217,461	67,078	178,149	218,627	457,248	435,079	365,171	1,938,813
Financial liabilities								
Due to central banks	–	–	–	–	30	–	–	30
Due from and placements with banks and other financial institutions	–	29,412	131,936	55,431	97,839	4,679	–	319,297
Financial assets under repurchase agreements	–	–	59,857	72	82	–	–	60,011
Deposits from customers	–	652,502	20,456	76,798	376,498	68,321	–	1,194,575
Debt obligations payable	–	–	–	200	221	9,264	–	9,685
Other financial liabilities	–	3,223	8	15	70	1,055	518	4,889
Total financial liabilities	–	685,137	212,257	132,516	474,740	83,319	518	1,588,487
Net position	217,461	(618,059)	(34,108)	86,111	(17,492)	351,760	364,653	350,326

The Bank								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,255	62,758	–	–	–	–	–	292,013
Due from banks and other financial institutions	–	10,156	11,046	11,255	30,327	1,712	–	64,496
Placements with banks and other financial institutions	–	–	18,158	14	1,014	–	–	19,186
Financial assets measured at fair value through profit or loss	3	–	926	1,183	2,733	5,049	383	10,277
Financial assets under reverse repurchase agreements	–	–	60,379	63,088	1,140	–	–	124,607
Loans and advances to customers	22,193	–	79,886	93,375	362,314	300,271	226,304	1,084,343
Available-for-sale financial assets	82	–	439	1,464	10,106	49,319	12,952	74,362
Held-to-maturity investments	–	–	969	3,466	10,206	65,570	132,109	212,320
Investments classified as receivables	–	–	10,780	18,877	30,006	165,515	7,157	232,335
Other financial assets	49	2,795	–	–	–	10	–	2,854
Total financial assets	251,582	75,709	182,583	192,722	447,846	587,446	378,905	2,116,793
Financial liabilities								
Due to central banks	–	–	–	20,179	–	–	–	20,179
Due from and placements with banks and other financial institutions	–	21,417	105,555	71,790	101,964	16,010	–	316,736
Financial assets under repurchase agreements	–	–	38,574	1,700	15	–	–	40,289
Deposits from customers	–	722,282	1,029	80,745	392,501	130,789	–	1,327,346
Debt obligations payable	–	–	–	6,600	3,385	17,973	–	27,958
Other financial liabilities	–	2,515	1	1	4	21	76	2,618
Total financial liabilities	–	746,214	145,159	181,015	497,869	164,793	76	1,735,126
Net position	251,582	(670,505)	37,424	11,707	(50,023)	422,653	378,829	381,667

The Bank								
31 December 2013								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	207,615	54,405	–	–	–	–	–	262,020
Due from banks and other financial institutions	–	9,971	9,478	13,914	5,084	2,137	–	40,584
Placements with banks and other financial institutions	–	–	18,630	1,066	1,981	–	–	21,677
Financial assets measured at fair value through profit or loss	5	–	389	1,951	1,729	4,878	1,025	9,977
Financial assets under reverse repurchase agreements	–	–	84,633	59,204	13,673	–	–	157,510
Loans and advances to customers	9,517	–	60,058	94,107	353,429	227,536	221,702	966,349
Available-for-sale financial assets	82	–	1,107	1,733	9,880	49,750	18,289	80,841
Held-to-maturity investments	–	–	219	2,160	10,304	50,321	115,768	178,772
Investments classified as receivables	–	–	3,393	43,777	57,394	91,571	7,709	203,844
Other financial assets	75	2,511	–	–	–	10	–	2,596
Total financial assets	217,294	66,887	177,907	217,912	453,474	426,203	364,493	1,924,170
Financial liabilities								
Due from and placements with banks and other financial institutions	–	29,908	132,522	54,384	90,943	4,679	–	312,436
Financial assets under repurchase agreements	–	–	59,857	72	82	–	–	60,011
Deposits from customers	–	651,981	20,067	76,703	376,230	68,278	–	1,193,259
Debt obligations payable	–	–	–	200	221	9,264	–	9,685
Other financial liabilities	–	3,214	–	–	2	12	80	3,308
Total financial liabilities	–	685,103	212,446	131,359	467,478	82,233	80	1,578,699
Net position	217,294	(618,216)	(34,539)	86,553	(14,004)	343,970	364,413	345,471

Assets that can be used for repaying all liabilities and fulfilling outstanding loan commitment include cash on hand and balance with central banks, due from and placements with banks and other financial institutions and financial assets measured at fair value through profit or loss, etc. In normal operation, most due deposits are still retained within the Group instead of withdrawn immediately on the maturity date. Besides, available-for-sale financial assets can be disposed of when necessary to repay matured debts.

4.2 Off-balance-sheet items

Off-balance-sheet items of the Group mainly include bank acceptance bills, letter of credit issued, letter of guarantee issued, irrevocable loan commitments and unused credit card limit. Amounts of off-balance-sheet items are presented in the table below by residual maturity of contract:

The Group				
31 December 2014				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance bills	327,567	–	–	327,567
Letter of credit issued	75,680	612	–	76,292
Letter of guarantee issued	12,928	7,308	1,027	21,263
Irrevocable loan commitment	8,376	2,000	–	10,376
Unused credit card limit	22,786	–	–	22,786
Total	447,337	9,920	1,027	458,284

The Group				
31 December 2013				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance bills	286,995	–	–	286,995
Letter of credit issued	70,120	1,213	–	71,333
Letter of guarantee issued	4,741	3,519	4,012	12,272
Irrevocable loan commitment	1,449	–	–	1,449
Unused credit card limit	15,918	–	–	15,918
Total	379,223	4,732	4,012	387,967

The Bank				
31 December 2014				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance bills	327,323	–	–	327,323
Letter of credit issued	75,680	612	–	76,292
Letter of guarantee issued	12,927	7,308	1,027	21,262
Irrevocable loan commitment	8,176	2,000	–	10,176
Unused credit card limit	22,786	–	–	22,786
Total	446,892	9,920	1,027	457,839

The Bank				
31 December 2013				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptance bills	286,737	–	–	286,737
Letter of credit issued	70,120	1,213	–	71,333
Letter of guarantee issued	4,741	3,519	4,012	12,272
Irrevocable loan commitment	555	–	–	555
Unused credit card limit	15,918	–	–	15,918
Total	378,071	4,732	4,012	386,815

5. Market risk

Market risk means the possibility of loss to the Group's on- and off-balance-sheet businesses that results from changes in the market prices (including exchange rate, interest rate, commodity price and stock price). Market risk of the Group mainly consists of exchange rate risk and interest rate risk. Exchange rate risk of the Group mainly refers to risk of loss caused by exchange rate fluctuation in exposure of assets and liabilities denominated in foreign currency. Interest rate risk mainly refers to risk of loss caused by interest rate fluctuation arising from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

5.1 Exchange rate risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly include the Group's treasury operation exposure and foreign exchange business.

As for the business varieties involving exchange rate risk, the Group strictly manages various links of development, launching and operation, and formulates necessary risk control system in terms of business authorization, exposure limits and process monitoring. The Bank divides its foreign exchange trading businesses between banking book and trading book and the foreign exchange exposure of the whole bank is managed by the Head Office in a unified manner.

At the end of the reporting period, exchange rate risk of financial assets and financial liabilities is as follows:

The Group					
31 December 2014					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	271,667	20,468	76	37	292,248
Due from banks and other financial institutions	53,196	8,242	226	1,002	62,666
Placements with banks and other financial institutions	19,108	—	—	—	19,108
Financial assets measured at fair value through profit or loss	9,063	3	—	—	9,066
Derivative financial assets	2	550	—	73	625
Financial assets under reverse repurchase agreements	123,136	—	—	—	123,136
Loans and advances to customers	884,679	30,851	466	109	916,105
Available-for-sale financial assets	63,447	1	—	—	63,448
Held-to-maturity investments	136,277	—	—	—	136,277
Investments classified as receivables	201,134	—	—	—	201,134
Other financial assets	11,925	301	5	—	12,231
Total financial assets	1,773,634	60,416	773	1,221	1,836,044
Due to central banks	20,058	—	—	—	20,058
Due from and placements with banks and other financial institutions	317,311	9,625	—	42	326,978
Derivative financial liabilities	3	477	—	76	556
Financial assets under repurchase agreements	40,202	—	—	—	40,202
Deposits from customers	1,270,626	30,969	746	875	1,303,216
Debt obligations payable	23,839	—	—	—	23,839
Other financial liabilities	22,411	906	8	543	23,868
Total financial liabilities	1,694,450	41,977	754	1,536	1,738,717
Net exposure	79,184	18,439	19	(315)	97,327

The Group					
31 December 2013					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	241,738	20,354	94	41	262,227
Due from banks and other financial institutions	32,086	7,197	105	816	40,204
Placements with banks and other financial institutions	21,606	—	—	—	21,606
Financial assets measured at fair value through profit or loss	8,694	5	—	—	8,699
Derivative financial assets	5	500	—	26	531
Financial assets under reverse repurchase agreements	155,094	—	—	—	155,094
Loans and advances to customers	773,070	27,499	—	157	800,726
Available-for-sale financial assets	65,215	1	—	—	65,216
Held-to-maturity investments	109,265	—	—	—	109,265
Investments classified as receivables	182,106	1,820	—	—	183,926
Other financial assets	10,774	184	—	1	10,959
Total financial assets	1,599,653	57,560	199	1,041	1,658,453
Due to central banks	30	—	—	—	30
Due from and placements with banks and other financial institutions	303,201	11,282	15	26	314,524
Derivative financial liabilities	3	518	2	22	545
Financial assets under repurchase agreements	59,884	—	—	—	59,884
Deposits from customers	1,150,097	25,531	1,148	816	1,177,592
Debt obligations payable	8,400	—	—	—	8,400
Other financial liabilities	15,198	724	8	593	16,523
Total financial liabilities	1,536,813	38,055	1,173	1,457	1,577,498
Net exposure	62,840	19,505	(974)	(416)	80,955

The Bank					
31 December 2014					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	271,432	20,468	76	37	292,013
Due from banks and other financial institutions	53,098	8,242	226	1,002	62,568
Placements with banks and other financial institutions	19,108	–	–	–	19,108
Financial assets measured at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	2	550	–	73	625
Financial assets under reverse repurchase agreements	123,136	–	–	–	123,136
Loans and advances to customers	856,413	30,851	466	109	887,839
Available-for-sale financial assets	63,447	1	–	–	63,448
Held-to-maturity investments	136,277	–	–	–	136,277
Investments classified as receivables	201,134	–	–	–	201,134
Other financial assets	11,878	301	5	–	12,184
Total financial assets	1,744,988	60,416	773	1,221	1,807,398
Due to central banks	20,000	–	–	–	20,000
Due from and placements with banks and other financial institutions	297,311	9,625	–	42	306,978
Derivative financial liabilities	3	477	–	76	556
Financial assets under repurchase agreements	40,202	–	–	–	40,202
Deposits from customers	1,269,305	30,969	746	875	1,301,895
Debt obligations payable	23,839	–	–	–	23,839
Other financial liabilities	18,503	906	8	543	19,960
Total financial liabilities	1,669,163	41,977	754	1,536	1,713,430
Net exposure	75,825	18,439	19	(315)	93,968

The Bank					
31 December 2013					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	241,531	20,354	94	41	262,020
Due from banks and other financial institutions	32,016	7,197	105	816	40,134
Placements with banks and other financial institutions	21,606	–	–	–	21,606
Financial assets measured at fair value through profit or loss	8,694	5	–	–	8,699
Derivative financial assets	5	500	–	26	531
Financial assets under reverse repurchase agreements	155,094	–	–	–	155,094
Loans and advances to customers	761,463	27,499	–	157	789,119
Available-for-sale financial assets	65,215	1	–	–	65,216
Held-to-maturity investments	109,265	–	–	–	109,265
Investments classified as receivables	182,106	1,820	–	–	183,926
Other financial assets	9,878	184	–	1	10,063
Total financial assets	1,586,873	57,560	199	1,041	1,645,673
Due from and placements with banks and other financial institutions	296,631	11,282	15	26	307,954
Derivative financial liabilities	3	518	2	22	545
Financial assets under repurchase agreements	59,884	–	–	–	59,884
Deposits from customers	1,148,793	25,531	1,148	816	1,176,288
Debt obligations payable	8,400	–	–	–	8,400
Other financial liabilities	13,564	724	8	593	14,889
Total financial liabilities	1,527,275	38,055	1,173	1,457	1,567,960
Net exposure	59,598	19,505	(974)	(416)	77,713

The potential impact on pre-tax profit and shareholders' equity is presented below, in the case that the spot and forward exchange rates of RMB against all foreign currencies appreciate or depreciate by 5% at the same time.

	The Group and the Bank			
	2014		2013	
	Pre-tax profit	Shareholders' equity	Pre-tax profit	Shareholders' equity
Appreciation by 5%	45	45	46	46
Depreciation by 5%	(45)	(45)	(46)	(46)

Impact on pre-tax profit arises from impact of RMB exchange rate fluctuation on net exposure of monetary assets and liabilities and monetary derivative instruments denominated in foreign currency.

The impact on pre-tax profit is determined based on the assumption that the Group's exchange rate sensitive position and net position of monetary derivative instruments remain unchanged on balance sheet dates. The Group actively adjusts foreign currency exposure and applies proper derivative instruments to reduce the foreign exchange risk, based on the Management's judgment on the exchange rate fluctuation trend. Therefore, the sensitivity analysis above may deviate from the actualities to some extent.

5.2 Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. PBOC establishes RMB benchmark interest rates which include an upper limit on RMB deposit rates. Since 20 July 2013, PBOC has removed its control over loan interest rates of financial institutions in an all-round manner. PBOC maintains its requirement on upper limit of RMB deposit benchmark rates.

The Group intensified the cost control over interest-bearing liabilities management, established term and interest rate structure matching with the interest-bearing liabilities over the interest-generating assets management, optimized assets and liabilities portfolio management, and proactively developed fee-based business and non-interest rate sensitive financial products, so as to reduce the impact of interest rate risk on the Group's operation.

At the end of reporting periods, the expiry date of contract or repricing date (whichever is earlier) of financial assets and financial liabilities is as follows:

The Group							
31 December 2014							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	268,457	–	–	–	–	23,791	292,248
Due from banks and other financial institutions	21,114	10,666	29,411	1,475	–	–	62,666
Placements with banks and other financial institutions	18,108	–	1,000	–	–	–	19,108
Financial assets measured at fair value through profit or loss	902	1,300	2,414	4,118	329	3	9,066
Derivative financial assets	–	–	–	–	–	625	625
Financial assets under reverse repurchase agreements	59,779	62,244	1,113	–	–	–	123,136
Loans and advances to customers	475,020	191,321	165,480	61,146	8,503	14,635	916,105
Available-for-sale financial assets	1,709	6,446	10,564	34,663	9,984	82	63,448
Held-to-maturity investments	4,178	4,280	6,459	42,512	78,848	–	136,277
Investments classified as receivables	15,554	26,346	20,622	135,510	3,102	–	201,134
Other financial assets	175	–	–	–	–	12,056	12,231
Total financial assets	864,996	302,603	237,063	279,424	100,766	51,192	1,836,044
Due to central banks	–	20,000	58	–	–	–	20,058
Due from and placements with banks and other financial institutions	129,043	72,167	112,077	13,691	–	–	326,978
Derivative financial liabilities	–	–	–	–	–	556	556
Financial assets under repurchase agreements	38,504	1,683	15	–	–	–	40,202
Deposits from customers	719,398	79,920	382,246	117,737	–	3,915	1,303,216
Debt obligations payable	–	6,385	4,054	13,400	–	–	23,839
Other financial liabilities	1,149	–	–	–	–	22,719	23,868
Total financial liabilities	888,094	180,155	498,450	144,828	–	27,190	1,738,717
Interest rate risk exposure	(23,098)	122,448	(261,387)	134,596	100,766	24,002	97,327

The Group							
31 December 2013							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	239,125	–	–	–	–	23,102	262,227
Due from banks and other financial institutions	19,517	13,777	4,910	2,000	–	–	40,204
Placements with banks and other financial institutions	18,607	1,055	1,944	–	–	–	21,606
Financial assets measured at fair value through profit or loss	375	1,949	1,504	4,036	830	5	8,699
Derivative financial assets	–	–	–	–	–	531	531
Financial assets under reverse repurchase agreements	83,862	58,009	13,223	–	–	–	155,094
Loans and advances to customers	327,210	199,948	218,256	44,188	6,285	4,839	800,726
Available-for-sale financial assets	2,733	6,835	10,119	32,040	13,407	82	65,216
Held-to-maturity investments	840	2,900	7,358	33,210	64,957	–	109,265
Investments classified as receivables	6,524	43,508	53,243	74,806	5,845	–	183,926
Other financial assets	78	–	769	–	–	10,112	10,959
Total financial assets	698,871	327,981	311,326	190,280	91,324	38,671	1,658,453
Due to central banks	–	–	30	–	–	–	30
Due from and placements with banks and other financial institutions	160,982	54,875	94,721	3,946	–	–	314,524
Derivative financial liabilities	–	–	–	–	–	545	545
Financial assets under repurchase agreements	59,732	71	81	–	–	–	59,884
Deposits from customers	668,111	76,264	368,625	62,312	–	2,280	1,177,592
Debt obligations payable	–	–	1,600	6,800	–	–	8,400
Other financial liabilities	1,140	–	–	–	–	15,383	16,523
Total financial liabilities	889,965	131,210	465,057	73,058	–	18,208	1,577,498
Interest rate risk exposure	(191,094)	196,771	(153,731)	117,222	91,324	20,463	80,955

The Bank							
31 December 2014							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	268,229	–	–	–	–	23,784	292,013
Due from banks and other financial institutions	21,016	10,666	29,411	1,475	–	–	62,568
Placements with banks and other financial institutions	18,108	–	1,000	–	–	–	19,108
Financial assets measured at fair value through profit or loss	902	1,300	2,414	4,118	329	3	9,066
Derivative financial assets	–	–	–	–	–	625	625
Financial assets under reverse repurchase agreements	59,779	62,244	1,113	–	–	–	123,136
Loans and advances to customers	467,948	175,031	160,633	61,097	8,496	14,634	887,839
Available-for-sale financial assets	1,709	6,446	10,564	34,663	9,984	82	63,448
Held-to-maturity investments	4,178	4,280	6,459	42,512	78,848	–	136,277
Investments classified as receivables	15,554	26,346	20,622	135,510	3,102	–	201,134
Other financial assets	175	–	–	–	–	12,009	12,184
Total financial assets	857,598	286,313	232,216	279,375	100,759	51,137	1,807,398
Due to central banks	–	20,000	–	–	–	–	20,000
Due from and placements with banks and other financial institutions	125,952	69,858	97,477	13,691	–	–	306,978
Derivative financial liabilities	–	–	–	–	–	556	556
Financial assets under repurchase agreements	38,504	1,683	15	–	–	–	40,202
Deposits from customers	718,529	79,792	381,986	117,672	–	3,916	1,301,895
Debt obligations payable	–	6,385	4,054	13,400	–	–	23,839
Other financial liabilities	1,149	–	–	–	–	18,811	19,960
Total financial liabilities	884,134	177,718	483,532	144,763	–	23,283	1,713,430
Interest rate risk exposure	(26,536)	108,595	(251,316)	134,612	100,759	27,854	93,968

The Bank							
31 December 2013							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	238,929	–	–	–	–	23,091	262,020
Due from banks and other financial institutions	19,422	13,802	4,910	2,000	–	–	40,134
Placements with banks and other financial institutions	18,607	1,055	1,944	–	–	–	21,606
Financial assets measured at fair value through profit or loss	375	1,949	1,504	4,036	830	5	8,699
Derivative financial assets	–	–	–	–	–	531	531
Financial assets under reverse repurchase agreements	83,862	58,009	13,223	–	–	–	155,094
Loans and advances to customers	326,787	199,405	215,974	36,469	5,645	4,839	789,119
Available-for-sale financial assets	2,733	6,835	10,119	32,040	13,407	82	65,216
Held-to-maturity investments	840	2,900	7,358	33,210	64,957	–	109,265
Investments classified as receivables	6,524	43,508	53,243	74,806	5,845	–	183,926
Other financial assets	78	–	–	–	–	9,985	10,063
Total financial assets	698,157	327,463	308,275	182,561	90,684	38,533	1,645,673
Due from and placements with banks and other financial institutions	162,108	53,876	88,024	3,946	–	–	307,954
Derivative financial liabilities	–	–	–	–	–	545	545
Financial assets under repurchase agreements	59,732	71	81	–	–	–	59,884
Deposits from customers	667,207	76,170	368,361	62,272	–	2,278	1,176,288
Debt obligations payable	–	–	1,600	6,800	–	–	8,400
Other financial liabilities	1,140	–	–	–	–	13,749	14,889
Total financial liabilities	890,187	130,117	458,066	73,018	–	16,572	1,567,960
Interest rate risk exposure	(192,030)	197,346	(149,791)	109,543	90,684	21,961	77,713

The table below presents the potential impact on net interest income and shareholders' equity in consideration of structure of the Group's interest-generating assets and interest-bearing liabilities at the end of the reporting period, in the case that the yield curves of all financial instruments go up or down in a parallel manner by 100 basis points.

	The Group			
	2014		2013	
	Net interest income	Shareholders' equity	Net interest income	Shareholders' equity
Up 100 basis points	(181)	(1,793)	(768)	(1,691)
Down 100 basis points	181	1,877	768	1,774

	The Bank			
	2014		2013	
	Net interest income	Shareholders' equity	Net interest income	Shareholders' equity
Up 100 basis points	(292)	(1,793)	(757)	(1,691)
Down 100 basis points	292	1,877	757	1,774

The sensitivity analysis on net interest income is conducted based on the reasonably possible changes in interest rates, with the assumption that the structure of financial assets and liabilities held at the end of the period remains unchanged.

Sensitivity analysis on equity is conducted based on the impact of interest rate change on changes in fair value of fixed-rate available-for-sale financial assets held on balance sheet dates after revaluation.

The above assumptions do not reflect the Group's policies on fund use and interest rate risk management. Therefore, the above analysis may deviate from the actualities to some extent.

In addition, the above analysis on impact of interest rate changes is only used as an example to demonstrate the estimated changes in net interest income and equity at various predicted yield levels and amidst the Group's current interest rate risk profile. Yet, it does not take into account the possible risk management measures the Management may take to reduce interest rate risk.

6. Capital management

Since 2013, the Group has managed capital in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the CBRC. In particular, credit risk is measured by the weighting approach, market risk the standard approach and operational risk the basic indicator approach.

Capital composition of the Group is as follows:

Core tier-1 capital: share capital, capital reserve, other comprehensive income, surplus reserve, general risk reserve, retained profit and recognizable part of capital contribution from minority shareholders;

Other tier-1 capital: recognizable part of capital contribution from minority shareholders;

Tier-2 capital: tier-2 capital instruments and premium thereof, excessive allowance for impairment losses on loans and recognizable part of capital contribution from minority shareholders.

Net capital is calculated by deducting corresponding capital deductions from capital at all levels in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*.

The Management of the Group monitors the adequacy of capital and application of regulatory capital in a real-time manner based on relevant guideline of the Basel Committee and regulatory requirements of the CBRC.

To ensure the capital adequacy ratio meeting the regulatory requirement and support balanced and sound development of various businesses on this basis, the Group proactively expanded the capital supplementary channel to promote the capital strength, reasonably controlled the growth rate of risk assets, vigorously optimized the structure of risk assets and strived to enhance the utilization efficiency of risk assets.

The Group calculated the net capital at all levels and the capital adequacy ratio in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the CBRC. Particulars are as follows:

	31 December 2014	31 December 2013
Net tier-1 core capital	101,987	85,826
Net tier-1 capital	102,007	85,830
Net capital	132,441	105,621
Core tier-1 capital adequacy ratio	8.49%	8.03%
Tier-1 capital adequacy ratio	8.49%	8.03%
Capital adequacy ratio	11.03%	9.88%

7. Fair value of financial assets and financial liabilities

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements.

7.1 Fair value of financial assets and financial liabilities continuously measured at fair value

The following table shows the financial instruments measured at fair value evaluated at three levels:

The Group and the Bank				
31 December 2014				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss	–	9,066	–	9,066
Derivative financial assets	–	625	–	625
Available-for-sale financial assets	–	63,366	–	63,366
Financial liabilities				
Derivative financial liabilities	–	556	–	556

The Group and the Bank				
31 December 2013				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss	–	8,699	–	8,699
Derivative financial assets	–	531	–	531
Available-for-sale financial assets	–	65,134	–	65,134
Financial liabilities				
Derivative financial liabilities	–	545	–	545

Fair value measurement of financial assets and financial liabilities of the Group neither shifted between Level 1 and Level 2 nor between Level 2 and Level 3 in the year and the previous year.

When the quotation is not available in the active market, the Group determines the fair value of financial assets and financial liabilities continuously measured at fair value by valuation techniques.

Valuation techniques used by the Group include cash flow discounting model for some derivative financial instruments whose quotation is not available in the active market (including FX forward, FX swap, interest rate swap and precious metal contract, etc.) and the Black-Scholes option pricing model for valuation of option derivative instruments. Parameters used by the cash flow discounting model mainly include recent transaction prices, related yield curve, exchange rate, prepayment rate and credit spread of counterparties while those used by the Black-Scholes option pricing model are related yield curve, exchange rate and fluctuation level, etc.

The fair value of other financial instruments (including interbank market securities) is determined according to the general pricing model which is based on the future cash flow discounting method.

Except the financial assets and financial liabilities continuously measured at fair value, the Group held no financial instruments not continuously measured at fair value.

7.2 Financial assets and financial liabilities not measured at fair value

The table below shows the book value and fair value of financial assets and financial liabilities that are not presented by fair value in the consolidated statement of financial position. Financial assets and financial liabilities with similar book value and fair value are not included in the table below, including balances with central banks, due from and placements with banks and other financial institutions, financial assets under reverse repurchase agreements, borrowings from the central bank, due to banks and other financial institutions, placements from banks and other financial institutions, and financial assets under repurchase agreements, etc.

The Group				
Financial assets	31 December 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
Loans and advances to customers	916,105	916,751	800,726	800,782
Held-to-maturity investments	136,277	138,139	109,265	101,503
Investments classified as receivables	201,134	201,148	183,926	183,942
	1,253,516	1,256,038	1,093,917	1,086,227

The Group				
Financial liabilities	31 December 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
Deposits from customers	1,303,216	1,317,390	1,177,592	1,183,673
Debt obligations payable	23,839	24,216	8,400	8,151
	1,327,055	1,341,606	1,185,992	1,191,824

The Bank				
Financial assets	31 December 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
Loans and advances to customers	887,839	888,485	789,119	789,175
Held-to-maturity investments	136,277	138,139	109,265	101,503
Investments classified as receivables	201,134	201,148	183,926	183,942
	1,225,250	1,227,772	1,082,310	1,074,620

The Bank				
Financial liabilities	31 December 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
Deposits from customers	1,301,895	1,316,061	1,176,288	1,182,368
Debt obligations payable	23,839	24,216	8,400	8,151
	1,325,734	1,340,277	1,184,688	1,190,519

The table below lists the levels of fair value of financial assets and financial liabilities that are not presented at fair value on the balance sheet date:

The Group				
	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	916,751	916,751
Held-to-maturity investments	–	138,139	–	138,139
Investments classified as receivables	–	3,240	197,908	201,148
Financial liabilities				
Deposits from customers	–	1,317,390	–	1,317,390
Debt obligations payable	–	24,216	–	24,216

The Group				
31 December 2013				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	800,782	800,782
Held-to-maturity investments	–	101,503	–	101,503
Investments classified as receivables	–	3,747	180,195	183,942
Financial liabilities				
Deposits from customers	–	1,183,673	–	1,183,673
Debt obligations payable	–	8,151	–	8,151

The Bank				
31 December 2014				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	888,485	888,485
Held-to-maturity investments	–	138,139	–	138,139
Investments classified as receivables	–	3,240	197,908	201,148
Financial liabilities				
Deposits from customers	–	1,316,061	–	1,316,061
Debt obligations payable	–	24,216	–	24,216

The Bank				
31 December 2013				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	789,175	789,175
Held-to-maturity investments	–	101,503	–	101,503
Investments classified as receivables	–	3,747	180,195	183,942
Financial liabilities				
Deposits from customers	–	1,182,368	–	1,182,368
Debt obligations payable	–	8,151	–	8,151

As for the beneficiary right of loans and advances to customers and investments classified as receivables, its fair value will be determined based on the cash flow discounting model and the unobservable discounting rate which reflects credit risk of counterparties and is adjusted based on the liquidity profile. These financial instruments are classified into Level 3.

The fair value of other financial instruments is determined according to the general pricing model which is based on the future cash flow discounting method. These financial instruments are classified into Level 2.

XVI. Other Significant Matter

1. Assets and liabilities measured at fair value

The Group and the Bank					
2014					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Financial assets measured at fair value through profit or loss	8,699	99	–	–	9,066
Derivative financial assets	531	94	–	–	625
Available-for-sale financial assets	65,134	–	81	–	63,366
Total financial assets	74,364	193	81	–	73,057
Financial liabilities	545	(11)	–	–	556

The Group and the Bank					
2013					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Financial assets measured at fair value through profit or loss	9,757	(25)	–	–	8,699
Derivative financial assets	171	360	–	–	531
Available-for-sale financial assets	59,166	–	(1,850)	–	65,134
Total financial assets	69,094	335	(1,850)	–	74,364
Financial liabilities	159	(385)	–	–	545

Note: There is not necessarily articulation in the changes in the asset and liability items listed in the table above.

2. Foreign-currency financial assets and financial liabilities

The Group and the Bank					
2014					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Cash on hand and balances with central banks	20,489	–	–	–	20,581
Due from banks and other financial institutions	8,118	–	–	–	9,470
Financial assets measured at fair value through profit or loss	5	1	–	–	3
Derivative financial assets	526	97	–	–	623
Loans and advances to customers	27,656	–	–	5	31,426
Available-for-sale financial assets	1	–	–	–	1
Investments classified as receivables	1,820	–	–	–	–
Other financial assets	185	–	–	–	306
Total financial assets	58,800	98	–	5	62,410
Financial liabilities	40,685	(11)	–	–	44,267

The Group and the Bank					
2013					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Cash on hand and balances with central banks	18,226	–	–	–	20,489
Due from banks and other financial institutions	8,077	–	–	23	8,118
Placements with banks and other financial institutions	150	–	–	–	–
Financial assets measured at fair value through profit or loss	6	2	–	–	5
Derivative financial assets	171	355	–	–	526
Loans and advances to customers	25,916	–	–	362	27,656
Available-for-sale financial assets	1	–	–	–	1
Investments classified as receivables	–	–	–	–	1,820
Other financial assets	231	–	–	–	185
Total financial assets	52,778	357	–	385	58,800
Financial liabilities	36,502	(382)	–	–	40,685

Note: There is not necessarily articulation in the changes in the asset and liability items listed in the table above.

XVII. Post balance sheet date events

Profit Distribution Plan

The Bank held a meeting of the Board of Directors on 15 April 2015, approving to distribute dividend of RMB4.35 (pre-tax) per 10 shares after setting aside statutory surplus reserve and general reserve. Calculated based on the shares issued by the Bank as at 31 December 2014, the total dividends distributed totaled about RMB3,874 million. Meanwhile, the Bank converted the capital reserve into capital share at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares, and the registered capital was increased by RMB1,780,928,702. Afterwards, the total share capital records 10,685,572,211, equivalent to RMB10,685,572,211. The above profit distribution plan is subject to approval by the Bank's General Meeting of Shareholders. Before that, accounting treatment is not made to the proposed surplus reserve and general reserve as well as the plans for dividend distribution and conversion of capital reserve into share capital.

XVIII. Comparative Data

Certain comparative data have been reclassified to be consistent with this year's presentation of financial statements.

XIX. Approval of the Financial Statements

The financial statements were approved by the Board of Directors of the Bank on 15 April 2015.

Unaudited supplementary information

1. Detail list of extraordinary profit or loss

The table below is prepared in accordance with the *SIC No.1 on Information Disclosure of the Companies with Public Offering – Extraordinary Profit or Loss (2008)* issued by CSRC.

	2014	2013
Losses/(gains) on disposals of fixed assets	(8)	(5)
Other net operating income and expenses	120	50
Income tax influence of extraordinary profit or loss	(38)	(15)
Less: Extraordinary profit or loss attributable to minority shareholders	(5)	(1)
Total extraordinary profit or loss attributable to ordinary shareholders of the parent company	69	29

Extraordinary profit or loss refers to the profit or loss resulting from transactions and events that have no direct relation with normal operation of the Group or that although have direct relation with normal operation of the Group, they may affect the financial statements users' normal judgment on the Group's operating results and profitability due to their special and accidental nature.

2. Return on equity and earnings per share

The table below is prepared in accordance with the *Rules for the Compilation and Submission of information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (Revision 2010)* issued by CSRC. During relevant periods, basic earnings per share will be calculated by dividing the current net profit with the weighted average ordinary shares issued.

	2014	2013
Net profit attributable to ordinary shareholders of the parent company	17,981	15,506
Weighted average return on equity (%)	19.31	19.30
Basic earnings per share (RMB yuan/share)	2.02	1.74
Net profit attributable to ordinary shareholders of the parent company after deduction of extraordinary profit or loss	17,912	15,477
Weighted average return on equity (%)	19.24	19.27
Basic earnings per share (RMB yuan/share)	2.01	1.74

The Group has no potential diluted ordinary share.

3. Supplementary information on changes in accounting policies

The Group changed related accounting policies and retrospectively restated the comparison financial statements in accordance with the eight accounting standards released by the Ministry of Finance in 2014, including the *Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments*. The restated consolidated balance sheet dated 1 January 2013 and 31 December 2013 is as follows:

	The Group			The Bank		
	31 December 2014 (Restated)	31 December 2013 (Restated)	1 January 2014 (Restated)	31 December 2013 (Restated)	31 December 2014 (Restated)	1 January 2013 (Restated)
Assets						
Cash on hand and balances with central banks	292,248	262,227	227,152	292,013	262,020	226,959
Due from banks and other financial institutions	62,666	40,204	87,408	62,568	40,134	87,209
Placements with banks and other financial institutions	19,108	21,606	31,434	19,108	21,606	31,434
Financial assets measured at fair value through profit or loss	9,066	8,699	9,757	9,066	8,699	9,757
Derivative financial assets	625	531	171	625	531	171
Financial assets under reverse repurchase agreements	123,136	155,094	239,109	123,136	155,094	239,109
Interest receivable	9,335	7,475	6,228	9,329	7,468	6,227
Loans and advances to customers	916,105	800,726	699,861	887,839	789,119	699,144
Available-for-sale financial assets	63,448	65,216	59,248	63,448	65,216	59,248
Held-to-maturity investments	136,277	109,265	113,456	136,277	109,265	113,456
Investments classified as receivables	201,134	183,926	1,000	201,134	183,926	1,000
Long-term equity investments	–	–	–	2,630	2,630	170
Investment property	–	–	17	–	–	17
Fixed assets	9,359	8,072	7,659	9,347	8,060	7,648
Intangible assets	88	91	92	87	90	92
Deferred income tax assets	4,419	4,475	3,322	4,378	4,470	3,321
Other assets	4,614	4,840	2,946	4,402	3,934	2,929
Total assets	1,851,628	1,672,447	1,488,860	1,825,387	1,662,262	1,487,891

	The Group			The Bank		
	31 December 2014 (Restated)	31 December 2013 (Restated)	1 January 2014 (Restated)	31 December 2013 (Restated)	31 December 2014 (Restated)	1 January 2013 (Restated)
Liabilities						
Due to central banks	20,058	30	30	20,000	–	–
Due from banks and other financial institutions	284,340	278,986	229,255	284,714	280,112	229,443
Placements from banks and other financial institutions	42,638	35,538	71,815	22,264	27,842	71,857
Derivative financial liabilities	556	545	159	556	545	159
Financial assets under repurchase agreements	40,202	59,884	47,422	40,202	59,884	47,422
Deposits from customers	1,303,216	1,177,592	1,036,000	1,301,895	1,176,288	1,034,862
Employees' compensation payable	6,733	5,178	4,181	6,672	5,155	4,179
Taxes and dues payable	4,077	3,750	3,602	4,025	3,739	3,601
Interest payable	17,567	11,634	9,185	17,342	11,581	9,181
Projected liabilities	2	2	4	2	2	4
Debt obligations payable	23,839	8,400	8,400	23,839	8,400	8,400
Deferred income tax liabilities	–	–	43	–	–	43
Other liabilities	6,301	4,889	4,041	2,618	3,308	4,038
Total liabilities	1,749,529	1,586,428	1,414,137	1,724,129	1,576,856	1,413,189
Equity						
Share capital	8,905	8,905	6,850	8,905	8,905	6,850
Capital reserve	30,543	30,543	32,597	30,542	30,542	32,597
Other comprehensive income	81	(1,850)	(288)	81	(1,850)	(288)
Surplus reserve	6,134	4,585	4,585	6,134	4,585	4,585
General reserve	17,100	12,949	12,949	17,100	12,949	12,949
Retained profit	38,695	30,288	18,001	38,496	30,275	18,009
Total equity attributable to shareholders of the parent company	101,458	85,420	74,694	101,258	85,406	74,702
Minority interests	641	599	29	–	–	–
Total shareholders' equity	102,099	86,019	74,723	101,258	85,406	74,702
Total liabilities and equity	1,851,628	1,672,447	1,488,860	1,825,387	1,662,262	1,487,891



Address: Hua Xia Bank Mansion, 22 Jianguomennei Street,

Dongcheng District, Beijing

Tel: 010-85238570, 010-85239938

Postal code: 100005

Fax: 010-85239605

Website: www.hxb.com.cn