DBS BANK (CHINA) LIMITED

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2013

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

DBS BANK (CHINA) LIMITED

FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2013

Content	**Page**

普华永道

(English Translation For Reference Only)

AUDITOR'S REPORT

PwC ZT Shen Zi (2014) No. 20021

(Page 1 of 2)

To the Board of Directors of DBS Bank (China) Limited,

We have audited the accompanying financial statements of DBS Bank (China) Limited (hereinafter "the Bank"), which comprise the balance sheet as at 31 December 2013, the income statement, the cash flow statement and the statement of changes in equity for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing 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 of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

普华永道中天会计师事务所(特殊普通合伙)
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
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普华永道

(English Translation For Reference Only)

AUDITOR'S REPORT
(continued)

PwC ZT Shen Zi (2014) No. 20021
(Page 2 of 2)

To the Board of Directors of DBS Bank (China) Limited,

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai , the People's Republic of China

28 March 2014

DBS BANK (CHINA) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2013	31 December 2012
Cash and deposits with the central bank	8	14,696,149,526	14,527,884,912
Deposits with other banks	9	8,041,985,706	14,213,304,799
Placements with financial institutions	10	12,869,481,043	11,457,103,074
Trading assets	11	3,587,372,816	3,987,444,525
Derivative assets	12	4,037,184,710	2,873,823,927
Financial assets purchased under resale agreements	13	2,857,612,839	-
Interest receivable	14	569,415,748	592,714,121
Loans and advances	15	48,080,976,406	46,851,810,166
Investment securities - available-for-sale	16	1,727,323,916	3,051,065,805
Fixed assets	17	86,906,367	97,164,247
Long-term prepaid expenses	18	24,046,681	34,745,216
Deferred income tax assets	19	173,421,744	160,799,598
Other assets	20	135,295,201	140,819,797
TOTAL ASSETS		96,887,172,703	97,988,680,187

LIABILITIES	Notes	31 December 2013	31 December 2012
Due to other banks and financial institutions	21	497,606,912	1,106,785,999
Placements from other banks	22	10,656,090,100	13,935,063,731
Derivative liabilities	12	4,043,036,975	2,744,080,709
Financial assets sold under repurchase agreements	23	-	2,141,329,682
Due to customers	24	69,721,042,098	67,810,780,313
Payroll and welfare payable	25	120,534,665	113,652,239
Taxes payable	26	120,568,837	25,904,944
Interest payable	27	1,279,794,495	1,207,079,063
Bond issued	28	1,975,960,214	497,867,340
Other liabilities	29	326,726,348	493,053,505
TOTAL LIABILITIES		88,741,360,644	90,075,597,525
OWNER'S EQUITY			
Paid-in capital	30	6,300,000,000	6,300,000,000
Capital surplus	31	5,323,055	13,647,070
Surplus reserve	32	184,048,901	159,943,560
General risk reserve	33	805,900,000	587,500,000
Undistributed profits	34	850,540,103	851,992,032
TOTAL OWNER'S EQUITY		8,145,812,059	7,913,082,662
TOTAL LIABILITIES AND OWNER'S EQUITY		96,887,172,703	97,988,680,187

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

Chairman:	President / CEO:	CFO:
Dominic Ho	Neil Ge	Cristo Chow

DBS BANK (CHINA) LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Notes	2013	2012
Interest income	35	4,157,282,391	3,957,495,252
Interest expense	35	(2,704,269,215)	(2,065,988,703)
Net interest income		1,453,013,176	1,891,506,549
Fee and commission income	36	417,263,737	245,044,950
Fee and commission expenses	36	(35,127,790)	(43,946,247)
Net fee and commission income		382,135,947	201,098,703
Investment gains	37	45,405,385	79,152,143
Fair value gains	38	17,530,772	490,957,021
Net gains/(losses) from foreign exchange and derivative transactions	39	230,778,320	(685,301,178)
Other business income		2,390,027	55,295
Operating income		2,131,253,627	1,977,468,533
Business tax and levies		(208,764,264)	(175,318,215)
General and administrative expenses	40	(1,412,870,692)	(1,305,404,237)
Impairment charge for credit losses	41	(185,351,379)	(93,606,014)
Operating expense		(1,806,986,335)	(1,574,328,466)
Operating profit		324,267,292	403,140,067
Non-operating income		2,490,498	7,966,492
Non-operating expenses		(1,972,797)	(806,645)
Total profit		324,784,993	410,299,914
Less: Income tax	42	(83,731,581)	(104,142,418)
Net profit		241,053,412	306,157,496
Other comprehensive income		(8,324,015)	20,057,686
Total comprehensive income		232,729,397	326,215,182

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

Chairman:	President / CEO:	CFO:
Dominic Ho	Neil Ge	Cristo Chow

DBS BANK (CHINA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Notes	2013	2012
1 Cash flows from operating activities			
Net increase in customer deposits and due to other banks		1,418,011,469	10,360,279,920
Net decrease in deposits with the central bank and other banks		3,644,630,158	-
Net decrease in trading assets		380,941,551	162,438,618
Net increase in placements from other banks		-	645,518,311
Net decrease in placements with financial institutions		-	1,614,695,392
Net increase in financial assets sold under repurchase agreements		-	791,821,832
Net decrease in financial assets purchased under resale agreements		-	2,693,763,879
Interest received		4,062,815,079	3,762,831,101
Fee and commission received		472,393,122	248,240,837
Cash received relating to other operating activities		317,777,513	68,303,384
Sub-total of cash inflow		10,296,568,892	20,347,893,274
Net increase in loans and advances		(1,447,826,805)	(7,306,647,387)
Net decrease in placements from other banks		(3,278,973,631)	-
Net increase in placements with financial institutions		(2,352,700,831)	-
Net increase in deposits with the central bank and other banks		-	(6,313,109,679)
Net decrease in financial assets sold under repurchase agreements		(2,193,802,679)	-
Net increase in financial assets purchased under resale agreements		(2,723,451,666)	-
Interest paid		(2,602,639,019)	(1,426,768,703)
Fee and commission paid		(35,127,790)	(43,946,247)
Cash paid to employees		(806,755,363)	(742,200,065)
Payment of taxes		(207,679,426)	(366,436,425)
Cash paid relating to other operating activities		(774,863,030)	(1,863,916,671)
Sub-total of cash outflow		(16,423,820,240)	(18,063,025,177)
Net cash (used in)/provided from operating activities	43	(6,127,251,348)	2,284,868,097

DBS BANK (CHINA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

		Notes	2013	2012
2	**Cash flows from investing activities**			
	Cash received from disposal of investment securities - available-for-sale		2,772,643,202	354,806,702
	Interest received from investment securities - available-for-sale		117,765,685	102,244,768
	Cash received from disposal of fixed assets		-	3,377,605
	Sub-total of cash inflow		2,890,408,887	460,429,075
	Cash paid for purchase of investment securities-available-for-sale		(1,460,000,000)	(828,435,139)
	Cash paid for purchase of fixed assets and other long-term assets		(26,842,797)	(70,969,256)
	Sub-total of cash outflow		(1,486,842,797)	(899,404,395)
	Net cash provided from/(used in) investing activities		1,403,566,090	(438,975,320)
3	**Cash flows from financing activities**			
	Cash received from capital contributions		-	2,300,000,000
	Cash received from bond issuance		1,494,556,343	497,258,008
	Sub-total of cash inflow		1,494,556,343	2,797,258,008
	Cash payments for interest expenses		(26,333,382)	-
	Sub-total of cash outflow		(26,333,382)	-
	Net cash flows from financing activities		1,468,222,961	2,797,258,008
4	**Effect of foreign exchange rate changes on cash and cash equivalents**		(43,284,886)	(13,154,586)
5	**Net (decrease)/increase in cash and cash equivalents**		(3,298,747,183)	4,629,996,199
	Add: Cash and cash equivalents at beginning of year		15,760,735,619	11,130,739,420
6	**Cash and cash equivalents at end of year**	43	12,461,988,436	15,760,735,619

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

Chairman: Dominic Ho

President / CEO: Neil Ge

CFO: Cristo Chow

DBS BANK (CHINA) LIMITED

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Paid-in capital Note 30	Capital surplus Note 31	Surplus reserve Note 32	General risk reserve Note 33	Undistributed profits Note 34	Total owners' equity
Balance at 1 January 2012	4,000,000,000	(6,410,616)	129,327,810	476,000,000	687,950,286	5,286,867,480
(i) Net profit for the year of 2012	-	-	-	-	306,157,496	306,157,496
(ii) Other comprehensive income - revaluation reserve for available-for-sale securities	-	20,057,686	-	-	-	20,057,686
(iii) Capital contribution by owners	2,300,000,000	-	-	-	-	2,300,000,000
(iv) Profit distribution						
Transfer to general risk reserve	-	-	-	111,500,000	(111,500,000)	-
Transfer to surplus reserve	-	-	30,615,750	-	(30,615,750)	-
Balance at 31 December 2012	6,300,000,000	13,647,070	159,943,560	587,500,000	851,992,032	7,913,082,662
(i) Net profit for the year of 2013	-	-	-	-	241,053,412	241,053,412
(ii) Other comprehensive income - revaluation reserve for available-for-sale securities	-	(8,324,015)	-	-	-	(8,324,015)
(iii) Profit distribution						
Transfer to general risk reserve	-	-	-	218,400,000	(218,400,000)	-
Transfer to surplus reserve	-	-	24,105,341	-	(24,105,341)	-
Balance at 31 December 2013	6,300,000,000	5,323,055	184,048,901	805,900,000	850,540,103	8,145,812,059

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

Chairman:	President / CEO:	CFO:
Dominic Ho	Neil Ge	Cristo Chow

1 GENERAL INFORMATION

DBS Bank (China) Limited (the "Bank") was established as a wholly-owned subsidiary of DBS Bank Ltd. ("DBS Bank") in Shanghai, China.

Prior to the establishment of the Bank and the transfer of business (the "conversion"), DBS Bank had three branches (Shanghai, Beijing and Guangzhou) and DBS Bank (Hong Kong) Ltd. ("DBS HK") had two branches (Shenzhen and Suzhou) in the People's Republic of China ("PRC") (collectively known as the "Former Branches"). On 22 December 2006, the Bank obtained an approval from the China Banking Regulatory Commission ("CBRC") to be incorporated as a wholly-owned subsidiary of DBS Bank by consolidating the two branches of DBS Bank (Beijing and Guangzhou) and two branches of DBS HK (Shenzhen and Suzhou). The Shanghai Branch of DBS Bank was permitted to maintain its branch status to carry on its foreign currency business (the "Retained Branch").

The Bank obtained its finance approval license No.00000042 from the CBRC and obtained its business license (Shi Ju) Qi Du Hu Zong Zi No.044272 from the Shanghai's State Administration of Industry and Commerce on 22 May 2007 and 24 May 2007, respectively. The initial registered/paid-up capital of the Bank was Rmb 4 billion. Pursuant to the approval from CBRC on 21 August 2012(Yin Jian Fu(2012)No.429), the Bank increased its registered paid-up capital to Rmb 6.3 billion. The Bank obtained a new business license No.1116082 from the Shanghai's State Administration of Industry and Commerce on 24 September 2012.

The Bank's operating period is non-restricted according to its business license. It is principally engaged in the provision of foreign currency and Renminbi banking businesses as approved by the related regulators.

DBS Bank (China) Limited Shanghai Pilot Free Trade Zone Sub-branch obtained its finance approval license from CBRC, Shanghai Bureau(HYJBZ[2014] No.3) and obtained its business license No.310000500539013 from the Shanghai's State Administration of Industry and Commerce on 3 January 2014 and 6 January 2014 respectively. Currently, the Bank has ten branches and twenty sub-branches located in Shanghai, Beijing, Shenzhen, Suzhou, Guangzhou, Tianjin, Nanning, Dongguan, Hangzhou and Chongqing of the PRC.

2 BASIS OF PREPARATION

The financial statements were prepared in accordance with the "Accounting Standards for Business Enterprises - Basic Standard" and 38 specific standards promulgated by the Ministry of Finance of the People's Republic of China ("MOF") on 15 February 2006, the application guidance and interpretations issued up to date, and other relevant requirements(here after collectively referred to as "Accounting Standards for Business Enterprises").

3 STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Bank for the year ended 31 December 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Bank as of 31 December 2013 and of the financial performance, cash flows and other information for the year then ended.

4 PRINCIPAL ACCOUNTING POLICIES

A Accounting period

The Bank's accounting period starts on 1 January and ends on 31 December.

B Functional currency

The Bank's financial statements are presented in Renminbi ("Rmb"), which is its functional currency, being the currency of the primary economic environment in which the Bank operates.

C Foreign currency translation

Transactions in foreign currencies are measured using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Rmb at the spot exchange rate as at the balance sheet date. Foreign exchange differences arising from this translation are recognised in the income statement.

Non-monetary assets and liabilities measured at cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Contributions to paid-in capital made in foreign currencies are translated into the Rmb denominated paid-in capital account at the stipulated exchange rate at the contribution date.

D Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise assets balances with original maturities of three months or less from the date of acquisition including: cash on hand, non-restricted balances with central banks, deposits with other banks and placements with financial institutions.

E Financial assetsand financial liabilities

(1) Financial assets and financial liabilities at fair value through profit or loss

This category includes: financial assets and financial liabilities held for trading, derivatives and those designated at fair value through profit or loss at inception.

A financial asset or a financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling, repurchasing or redemption in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives (including derivatives embedded in other contracts but separated for accounting purposes) are also categorised as held for trading unless they are designated as hedges in accordance with Note 4H.

Financial assets or financial liabilities except for hybrid instruments are designated at fair value through profit or loss when:

- Doing so eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise;
- Certain financial assets or financial liabilities portfolios that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

E Financial assets and financial liabilities(continued)

(1) Financial assets and financial liabilities at fair value through profit or loss(continued)

Financial assets or financial liabilities at fair value through profit or loss are measured at fair value at the initial recognition and subsequent balance sheet dates, and changes in fair value and the transaction costs are reported in income statement.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including deposits with the central bank, deposits with other banks, placements with financial institutions, reverse repos, loans and advances and investment securities classified as loans and receivables. When the Bank provides funds or services directly to customers and does not intend to sell the receivables, the Bank classifies such financial assets as loans and receivables and recognises them at fair value plus transaction costs at initial recognition. At subsequent balance sheet dates, such assets are measured at amortised cost using effective interest method less any impairment allowances.

(3) Available-for-sale financial assets

Financial assets classified as available-for-sale are those that are either designated as such or are not classified in any of the other categories. The Bank also holds such financial assets for the purpose of investment or satisfying regulatory liquidity requirements. They are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets in this category are held in certain business segments as well as the liquidity management unit. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value at balance sheet dates. Unrealised gains or losses arising from changes in fair value of financial assets classified as available-for-sale financial assets are recognised in other comprehensive income and accumulated directly in equity after deducting tax impact. When sold or impaired, the accumulated fair value adjustments previously recognised in equity are reclassified to the income statement.

(4) Other financial liabilities

Other financial liabilities are recognized initially at fair value, being their issuance proceeds net of transaction costs incurred. They are subsequently stated at amortized cost and any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

E Financial assets and financial liabilities(continued)

(5) De-recognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all the risks and rewards of ownership.

A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

(6) Fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of quoted investments in active markets are based on current bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

F Impairment of financial assets

(1) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine whether there is evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor , including breach of covenants and/or financial conditions;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Bank would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or

4 PRINCIPAL ACCOUNTING POLICIES(continued)

F Impairment of financial assets (continued)

(1) Assets carried at amortised cost (continued)

(vi)observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. In practice, the Bank will also determine the fair value of the financial assets with the observed market value and assessed the impairment loss with that fair value.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the recovery procedures have been exhausted and the amount of the loss has been determined. Recoveries in full or in part of amounts previously written off are credited to the amount of the impairment losses for loans and advances in the income statement.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

F Impairment of financial assets (continued)

(1) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(2) Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is evidence that an available-for-sale financial asset is impaired.

In the case of an equity investment, a significant or prolonged decline in the fair value of the security below its cost is a factor in determining whether the asset is impaired.

When there is evidence of an impairment of an available-for-sale financial asset, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement - is reclassified from equity to the income statement.

For equity investments, impairment losses are not reversed until they are disposed of. For impaired debt instruments that subsequently recover in value, the impairment losses are reversed through the income statement if there has been an identifiable event that led to the recovery.

G Offsetting financial instruments

Financial assets and liabilities are presented net when:

(i)there is a legally enforceable right to set off the recognized amounts; and

(ii)there is an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously.

H Derivative financial instruments

Derivatives are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently re-measured at their fair value. Gain or losses from changes in the fair value are recorded in the income statement.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits or losses on day 1.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

H Derivative financial instruments(continued)

Certain derivatives are embedded in the non-derivative financial instruments (i.e. host contracts) and the embedded derivative and the corresponding host contract are collectively referred to as hybrid financial instruments. An embedded derivative shall be separated from the host contract and accounted for as a derivative if, and only if:

a. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
b. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
c. the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

The unrealized gain or loss arising from fair value measurement of separate derivative instrument is reported as the "fair value gains or losses" in the income statement.

Hedge accounting

At the inception of each hedging relationship, the Bank documents the relationship between the hedging instrument and hedged item; the risk management objective for undertaking the hedge transaction; and the methods used to assess the effectiveness of the hedge. At inception and on an on-going basis, the Bank also documents its assessment of whether the hedging instrument is highly effective in offsetting changes in the fair value of the hedged item.

Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect income statement.

For a qualifying fair value hedge, the changes in the fair value of the hedging derivatives are recorded in the income statement, together with any changes in the fair value of the hedged item attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the income statement over its remaining maturity, using the effective interest method.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

I Fixed assets

Fixed assets comprise buildings, office equipment and furniture and computers. Fixed assets purchased or constructed by the Bank are initially recorded at cost.

Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. However, the carrying amount of any parts of fixed assets that are being replaced shall be derecognised and all related subsequent costs are expensed when incurred.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For impaired fixed assets, depreciation is calculated based on carrying amounts after deducting the provision for impairment over their estimated remaining useful lives.

Estimated useful lives, estimated residual value and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings	42 years	10%	2.14%
Office equipment and furniture	5-8 years	0%-10%	11.25%-20%
Computers and other electronic equipment	2-5 years	0%-10%	18%-50%

The Bank reviews the estimated residual value, useful lives and depreciation method of fixed assets and makes appropriate adjustments on an annual basis.

When the Bank disposes or ceases to use the fixed assets, or does not expect to further benefit from fixed assets, the Bank derecognises the assets. Proceeds from sale, transfer or disposal of fixed assets are recorded in the income statement after deducting carrying value and related taxes.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

J Long-term prepaid expenses

Long-term prepaid expenses include leasehold improvement and other expenses that have been incurred but are attributable to current and future periods, and should be amortised over a period of more than one year. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial periods and are presented at cost net of accumulated amortisation.

K Impairment of non-financial assets

Fixed assets or other non-financial assets are reviewed for impairment if there are indications of impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Provision for impairment is determined on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Once an impairment loss is recognised, it shall not be reversed to the extent of recovery in value in subsequent periods.

L Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period using its effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (e.g., prepayment options, call options and similar options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, such as transaction costs and all other premiums or discounts. If the cash flows cannot be estimated, the Bank shall use contractual cash flows in the entire contract period.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

M Fee and commission income

Fees are generally recognized on the percentage of completion method when the related service has been provided. Commissions are generally recognized on an accrual basis when the related service has been received.

N Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets shall be recognised for deductible losses or tax credits that can be carried forward to subsequent years. The deferred tax assets and deferred tax liabilities at the balance sheet date shall be measured the tax rates that, according to the requirements of tax laws, are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets shall be recognised to the extent that it is probable that future taxable profit will be available against which the deductible losses and tax credits can be utilised.

Deferred income tax related to fair value re-measurement of available-for-sale investments is credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain and loss.

The Bank's deferred income tax assets and liabilities are netted as the amounts are recoverable from or due to the same tax authority.

O Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the leaser are classified as operating leases.The Bank entered into various operating lease agreements to rent its branches' offices and facilities. Payments made under operating leases are expensed on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by way of penalty is recognized as an expense in the period in which termination takes place.

P Contingent liabilities and acceptances

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

Q Financial guarantee contracts

The Bank has the following types of financial guarantee contracts: letters of credit and letters of guarantee. These financial guarantee contracts provide for specified payments to be made to reimburse the holder for losses incurred when the guaranteed parties default under the original or modified terms of the specified debt instruments.

A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee is given. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the initial measurement less amortisation and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

The contractual amounts of financial guarantee contracts are disclosed as off-balance sheet items in Note 44.

R Employee benefits

Employee benefits consist of salary, bonus, allowance and subsidy, social insurance, housing fund, education assistance and any other employee related benefits.

Employee benefits are recognised in the period of services rendered, and are capitalised in costs of assets or charged to income statement based on expected benefits generated from services rendered by employees.

The Bank participates in social security plans managed by the Municipal Government, including pension, medical, housing and other welfare benefits. The Bank also participates in commercial insurance as a supplement to government managed social insurance. The Bank has no other substantial commitments to its employees.

Certain expatriate executives of the Bank are entitled to an equity-settled, share-based compensation plan operated by the DBS Group, under which the Bank receives services from these executives as consideration for equity instruments of the Group. Equity investments granted and ultimately vested under the plan are recognized in the income statement of the Bank based on the fair value of the equity investments at the date of grant. The expense is amortized over the vesting period with a corresponding adjustment to the payable to head office account.

S Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

T Segment Reporting

The Bank identifies operating segments based on the internal organization structure, management requirement and internal reporting, then disclose segment information of reportable segment which is based on operating segment.

An operating segment is a component of the Bank : (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions); b) whose operating results are regularly reviewed by the Bank's senior management to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information, including the financial position, the financial performance and cash flows, is available. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and fulfil certain criteria.

The majority of the Bank's business activities are conducted within Shanghai, Beijing, Guangzhou, Shenzhen and Suzhou of the PRC.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgments, which affect the carrying value of assets and liabilities, are set out below. It is impracticable to determine the effect of changes to either the key assumptions discussed below or other estimation uncertainties. It is possible that actual results may require material adjustments to the estimates referred to below.

A Allowance for impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment except that there are known situation demonstrates impairment losses have occurred on quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

B Fair value of financial instruments

The fair value of financial instruments that is not quoted in active markets is determined by using valuation techniques. To the extent practical, cash flow models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES(continued)

C Income tax

Significant estimates are required in determining the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In particular, the deductibility of certain items in the PRC is subject to tax authority's approval, mainly like the impairment allowance for loans and advances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

6 AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by Board of Directors on 11 March 2014.

7 TAXATION

The Bank's business activities are mainly subject to the following taxes:

	Tax rate	Tax basis
Corporate income tax	25%	Taxable income
Business tax	5%	Taxable revenue

The applicable corporate income tax rate for 2013 is 25%(2012: 25%).

8 CASH AND DEPOSITS WITH THE CENTRAL BANK

	31 December 2013	31 December 2012
Cash	57,328,434	53,179,666
Statutory deposit reserve with the central bank	11,371,243,648	10,918,878,802
Excessive deposit reserve with the central bank	3,267,577,444	3,555,826,444
	14,696,149,526	14,527,884,912

According to the relevant provisions of the People's Bank of China ("PBOC"), the mandatory reserve ratio for customer deposits denominated in foreign currencies was 5% at 31 December 2013(31 December 2012: 5%).Such reserve is non-interest-bearing.

According to the relevant provisions of the PBOC, the mandatory reserve ratio for customer deposits denominated in Rmb was 18% at 31 December 2013(31 December 2012: 18%). Rmb deposit reserve bears interest at annual rate of 1.62%(2012: 1.62%).

These statutory reserve deposits are not available to fund the Bank's day-to-day operations.

(All amounts expressed in Rmb unless otherwise stated)

9 DEPOSITS WITH OTHER BANKS

	31 December 2013	31 December 2012
Deposits with domestic banks	7,444,521,030	13,322,771,115
Deposits with overseas banks	458,258,039	680,024,228
Deposits with overseas related parties (Note 47(3))	139,206,637	210,509,456
	8,041,985,706	14,213,304,799

10 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2013	31 December 2012
Placements with domestic financial institutions	12,259,791,043	11,142,828,074
Placements with overseas related banks (Note 47(3))	609,690,000	314,275,000
	12,869,481,043	11,457,103,074

11 TRADING ASSETS

	31 December 2013	31 December 2012
At fair value		
Bonds issued by policy banks	902,662,369	2,936,883,564
Corporate bonds	2,675,004,853	830,593,545
Treasury bonds	9,705,594	219,967,416
	3,587,372,816	3,987,444,525

As at 31 December 2013, there were no trading assets which were pledged as collateral under repurchase agreements with other banks and financial institutions. As at 31 December 2012, trading assets amounting to Rmb 2,166,490,742 were pledged as collateral under repurchase agreements with other banks and financial institutions.

12 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

12.1 DERIVATIVE INSTRUMENTS

The following major derivative instruments are utilized by the Bank for trading purpose:

Foreign exchange forwards represent commitments to purchase/sell foreign exchanges including unsettled spot transactions.

Foreign exchange and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC).

Interest rate options is a right obtained by the buyer, after payment of a premium, to buy or sell certain interest rate instrument at certain interest rate (price) within its validity period or after expiration.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

(All amounts expressed in Rmb unless otherwise stated)

12 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

12.1 DERIVATIVE INSTRUMENTS(continued)

The fair value of financial instruments that is not quoted in active markets is determined by using valuation techniques. To the extent practical, cash flow models use only observable data, like interest rate and foreign currency rate, certain data like credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The notional amount and fair value of the Bank's derivative financial instruments are as follows:

		Fair value	
31 December 2013	Notional amount	Assets	Liabilities
Foreign exchange derivatives			
Foreign exchange forward	25,666,815,749	109,504,745	(243,918,861)
Foreign exchange swap	260,363,375,130	2,445,260,159	(2,325,267,992)
Foreign exchange option	6,113,652,165	19,768,309	(6,076,127)
Cross-currency swap	467,979,590	376,535	(1,636,539)
	292,611,822,634	2,574,909,748	(2,576,899,519)
Interest rate derivatives			
Interest rate swap	179,981,916,344	1,046,091,488	(1,037,217,390)
Interest rate cap and floor	62,163,255,167	171,747,001	(172,108,920)
	242,145,171,511	1,217,838,489	(1,209,326,310)
Equity derivatives	5,569,113,391	136,908,448	(149,363,905)
Commodity derivatives	8,835,663,116	107,528,025	(107,447,241)
Total	549,161,770,652	4,037,184,710	(4,043,036,975)

(All amounts expressed in Rmb unless otherwise stated)

12 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

12.1 DERIVATIVE INSTRUMENTS(continued)

		Fair value	
31 December 2012	Notional amount	Assets	Liabilities
Foreign exchange derivatives			
Foreign exchange forward	23,619,593,749	150,782,550	(101,139,381)
Foreign exchange swap	228,616,699,263	1,378,002,354	(1,331,761,193)
Foreign exchange option	4,714,680,406	177,438,512	(170,650,548)
Cross-currency swap	2,253,419,500	5,112,003	(5,457,256)
	259,204,392,918	1,711,335,419	(1,609,008,378)
Interest rate derivatives			
Interest rate swap	114,675,718,907	275,219,906	(253,925,989)
Interest rate cap and floor	62,071,159,725	298,195,828	(280,027,269)
	176,746,878,632	573,415,734	(533,953,258)
Equity derivatives	3,305,627,303	468,987,214	(481,035,776)
Commodity derivatives	5,003,101,900	119,606,071	(119,603,808)
Precious metal option	73,385,493	479,489	(479,489)
Total	444,333,386,246	2,873,823,927	(2,744,080,709)

(All amounts expressed in Rmb unless otherwise stated)

12 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

12.2 HEDGE ACCOUNTING

As at 31 December 2013, derivative contracts designated as hedging instruments by the Bank are as follows:

	Contractual/notional amount	Fair Value	
		Assets	Liabilities
Derivatives designated as hedging instruments in fair value hedges			
Interest rate swaps	630,000,000	-	(19,093,334)

Fair Value Hedge

The Bank uses interest rate swaps to hedge against changes in the fair value of bonds issued.

Gain/(loss) on fair value hedges are as follows:

	2013
—hedging instruments	(19,093,334)
—hedged items: bonds issued	19,044,851
Hedge ineffectiveness recognised in net trading losses	(48,483)

As at 31 December 2012, no derivative contracts were designated as hedging instruments.

13 FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	31 December 2013	31 December 2012
Reverse repos designated at fair value through profit or loss, at fair value	2,857,612,839	-

According to the Bank's policies, reverse repo and repo transactions conducted by the Bank's trading desk are managed and evaluated together with other trading portfolios on fair value basis. Therefore, the Bank designated such assets and liabilities as fair value through profit or loss.

(All amounts expressed in Rmb unless otherwise stated)

14 INTEREST RECEIVABLE

	31 December 2013	31 December 2012
Loans and advances	324,017,090	320,970,486
Deposits and placements with financial institutions	102,087,765	163,934,305
Trading securities	97,432,356	60,862,413
Available-for-sale securities	39,977,115	41,171,176
Deposits with the central bank	5,901,422	5,775,741
	569,415,748	592,714,121

15 LOANS AND ADVANCES

	31 December 2013	31 December 2012
Retail loans		
-Mortgage loans	4,371,065,555	3,251,597,320
-Others	1,819,697,831	2,268,522,559
Retail loans	6,190,763,386	5,520,119,879
Corporate loans and advances		
-Loans	34,522,097,687	33,530,453,485
-Import and export bills	481,946,387	379,263,862
-Discounted bills and others	7,581,501,668	7,928,384,044
Corporate loans	42,585,545,742	41,838,101,391
Total loans	48,776,309,128	47,358,221,270
Individual impairment allowance	(248,658,205)	(172,191,810)
Collective impairment allowance	(446,674,517)	(334,219,294)
Total impairment allowance	(695,332,722)	(506,411,104)
Loans and advances, net	48,080,976,406	46,851,810,166

(All amounts expressed in Rmb unless otherwise stated)

15 LOANS AND ADVANCES (continued)

(1) Industry sector:

	31 December 2013		31 December 2012	
	Balance	%	Balance	%
Consumer loans	6,190,763,386	13%	5,520,119,879	12%
Wholesale and retail business	13,429,544,067	28%	16,040,726,052	34%
Manufacturing	17,230,892,818	36%	13,773,213,997	30%
Real estate	5,364,350,879	11%	5,385,075,346	11%
Leasing and commercial services	2,152,744,534	4%	1,871,667,461	4%
Transportation	1,214,554,817	2%	1,200,178,360	3%
Construction	797,070,028	2%	593,072,835	1%
Mining industry	681,642,289	1%	628,980,152	1%
Information and technology	488,675,254	1%	511,527,850	1%
Science research and Technical services	446,308,143	1%	678,694,609	1%
Agriculture, Hunting, Forestry and Fishing	306,806,306	1%	121,502,224	-
Hotel and restaurant	160,288,711	-	209,566,489	-
Resident services and other services	158,378,402	-	467,105,392	1%
Others	154,289,494	-	356,790,624	1%
Total, gross	48,776,309,128	100%	47,358,221,270	100%

(All amounts expressed in Rmb unless otherwise stated)

15 LOANS AND ADVANCES (continued)

(2) Geographic sector:

	31 December 2013	31 December 2012
Shanghai	23,799,750,602	22,660,962,916
Beijing	7,988,559,170	8,976,552,813
Shenzhen	4,048,364,720	3,968,319,417
Guangzhou	3,785,918,616	3,769,511,814
Tianjin	2,944,024,703	3,163,193,163
Suzhou	2,096,971,045	1,615,300,023
Hangzhou	1,340,179,474	1,387,375,215
Chongqing	1,631,678,388	934,280,873
Others	1,140,862,410	882,725,036
Total, gross	48,776,309,128	47,358,221,270

(3) By type of security:

	31 December 2013	31 December 2012
Clean loans	15,313,976,721	12,249,390,297
With guarantee only	7,643,876,458	6,464,799,628
With collateral only	12,866,434,810	16,637,902,443
With both collateral and guarantee	12,952,021,139	12,006,128,902
Total, gross	48,776,309,128	47,358,221,270

(All amounts expressed in Rmb unless otherwise stated)

15 LOANS AND ADVANCES (continued)

(4) Loans and advances past due:

	31 December 2013				
	Past due up to 90 days	Past due 90 to 365 days	Past due 1 to 3 years	Past due over 3 years	Total
Clean loans	157,468	68,005,007	11,269,573	1,016,348	80,448,396
With guarantee only	8,251,087	5,391,948	9,703,711	-	23,346,746
With collateral only	170,698,745	24,981,321	20,123,361	6,765,271	222,568,698
With both collateral and guarantee	169,754,228	137,401,178	155,269,341	4,620,000	467,044,747
	348,861,528	235,779,454	196,365,986	12,401,619	793,408,587

	31 December 2012				
	Past due up to 90 days	Past due 90 to 365 days	Past due 1 to 3 years	Past due over 3 years	Total
Clean loans	4,337,413	2,486,506	9,915,614	1,048,174	17,787,707
With guarantee only	-	16,240,333	-	2	16,240,335
With collateral only	216,492,762	13,576,111	25,132,468	8,866,624	264,067,965
With both collateral and guarantee	172,394,765	36,409,336	70,380,913	25,051,550	304,236,564
	393,224,940	68,712,286	105,428,995	34,966,350	602,332,571

(5) Allowance for impairment losses on loans and advances:

	2013		
	Individually assessed	Collectively assessed	Total
At 1 January	172,191,810	334,219,294	506,411,104
Impairment losses for loans and advances (Note 41)	106,205,342	112,455,223	218,660,565
Write-off	(28,746,915)	-	(28,746,915)
Exchange difference	(992,032)	-	(992,032)
At 31 December	248,658,205	446,674,517	695,332,722

	2012		
	Individually assessed	Collectively assessed	Total
At 1 January	103,793,395	294,407,580	398,200,975
Impairment losses for loans and advances (Note 41)	70,889,067	39,811,714	110,700,781
Write-off	(2,490,083)	-	(2,490,083)
Exchange difference	(569)	-	(569)
At 31 December	172,191,810	334,219,294	506,411,104

(All amounts expressed in Rmb unless otherwise stated)

16 INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

	31 December 2013	31 December 2012
At fair value		
Corporate bonds	1,141,805,942	1,332,567,283
Treasury bonds	238,613,879	-
PBOC notes	199,521,723	1,268,459,244
Bonds issued by policy banks	147,382,372	148,888,283
Bonds issued by domestic financial institutions	-	301,150,995
	1,727,323,916	3,051,065,805

17 FIXED ASSETS

	Office equipment and furniture	Computers and other electronic equipment	Total
Cost			
At 1 January 2013	81,787,042	119,385,846	201,172,888
Add: Transfer-in and other additions	3,663,820	22,556,144	26,219,964
Less: Disposals/write-off	(314,658)	(119,273)	(433,931)
At 31 December 2013	85,136,204	141,822,717	226,958,921
Accumulated depreciation			
At 1 January 2013	45,743,550	58,265,091	104,008,641
Add: Charge for the year	12,298,129	24,127,561	36,425,690
Less: Disposals/write-off	(266,741)	(115,036)	(381,777)
At 31 December 2013	57,774,938	82,277,616	140,052,554
Net book value			
At 31 December 2013	27,361,266	59,545,101	86,906,367
Cost			
At 1 January 2012	68,160,181	84,167,940	152,328,121
Add: Transfer-in and other additions	17,601,137	36,854,716	54,455,853
Less: Disposals/write-off	(3,974,276)	(1,636,810)	(5,611,086)
At 31 December 2012	81,787,042	119,385,846	201,172,888
Accumulated depreciation			
At 1 January 2012	34,104,127	36,553,284	70,657,411
Add: Charge for the year	12,557,274	22,552,003	35,109,277
Less: Disposals/write-off	(917,851)	(840,196)	(1,758,047)
At 31 December 2012	45,743,550	58,265,091	104,008,641
Net book value			
At 31 December 2012	36,043,492	61,120,755	97,164,247

(All amounts expressed in Rmb unless otherwise stated)

18 LONG-TERM PREPAIDEXPENSES

	Leasehold improvement	Others	Total
As at 1 January 2013	33,255,523	1,489,693	34,745,216
Additions	3,391,819	-	3,391,819
Transfer-out	(2,768,986)	-	(2,768,986)
Amortization	(11,205,814)	(115,554)	(11,321,368)
As at 31 December 2013	22,672,542	1,374,139	24,046,681
As at 1 January 2012	28,309,057	1,605,253	29,914,310
Additions	16,852,502	-	16,852,502
Transfer-out	(339,099)	-	(339,099)
Amortization	(11,566,937)	(115,560)	(11,682,497)
As at 31 December 2012	33,255,523	1,489,693	34,745,216

19 DEFERRED INCOME TAX ASSETS

Deferred income taxes is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements using tax rate of 25% (31 December 2012: 25%).

	2013	**2012**
At beginning of year	160,799,598	279,426,309
Income statement credit /(charge) (Note 42)	9,847,474	(111,940,815)
Available-for-sale securities		
-Fair value re-measurement(Note 31)	2,774,672	(6,685,896)
At end of year	173,421,744	160,799,598

Net deferred income tax assets arose from the following temporary differences:

(1) Deferred tax assets

	31 December 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	101,112,666	404,450,664	95,477,747	381,910,987
Unrecognised tax loss	-	-	6,321,711	25,286,845
Fair value measurement of available-for-sale securities	5,749,429	22,997,717	2,974,757	11,899,030
Accrued expenses	71,655,194	286,620,775	56,738,235	226,952,939
	178,517,289	714,069,156	161,512,450	646,049,801

(All amounts expressed in Rmb unless otherwise stated)

19 DEFERRED INCOME TAX ASSETS(continued)

(2) Deferred tax liabilities

	31 December 2013		31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value	(5,095,545)	(20,382,180)	(712,852)	(2,851,408)

(3) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2013	31 December 2012
Deferred tax assets, net	173,421,744	160,799,598

20 OTHER ASSETS

	31 December 2013	**31 December 2012**
Rental deposits	46,341,547	39,639,069
Receivables from related parties (Note 47(3))	28,496,020	23,438,637
Settlement receivables from customers	23,903,901	42,829,236
Prepaid expenses	19,662,245	20,797,938
Unsettled bonds	9,803,680	-
Others	7,087,808	14,114,917
	135,295,201	140,819,797

21 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December 2013	**31 December 2012**
Deposits from domestic banks	51,544,563	10,842,870
Deposits from domestic related parties(Note 47(3))	321,582,094	204,849,201
Deposits from overseas related parties (Note 47(3))	124,480,255	891,093,928
	497,606,912	1,106,785,999

22 PLACEMENTS FROM OTHER BANKS

	31 December 2013	**31 December 2012**
Placements from domestic banks	4,472,891,800	4,789,947,500
Placements from overseas related parties (Note 47(3))	6,183,198,300	9,145,116,231
	10,656,090,100	13,935,063,731

(All amounts expressed in Rmb unless otherwise stated)

23 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2013	31 December 2012
Repos designated at fair value through profit or loss, at fair value	-	2,141,329,682

According to the Bank's policies, reverse repo and repo transactions conducted by the Bank's trading desk are managed and evaluated together with other trading portfolios on fair value basis. Therefore, the Bank designated such assets and liabilities as fair value through profit or loss.

24 DUE TO CUSTOMERS

	31 December 2013	31 December 2012
At amortized cost		
Corporate current deposits	6,486,194,173	5,986,592,837
Corporate time deposits	23,189,002,099	19,643,991,613
Retail current deposits	1,703,629,511	1,343,200,978
Retail time deposits	3,274,045,284	4,184,876,465
SIPs sold to corporate customers	29,650,385,161	28,466,526,701
SIPs sold to retail customers	5,334,139,075	4,800,826,692
	69,637,395,303	64,426,015,286
SIPs designated at fair value through profit or loss		
SIPs sold to corporate customers	-	2,653,763,308
SIPs sold to retail customers	83,646,795	731,001,719
	83,646,795	3,384,765,027
DUE TO CUSTOMERS	69,721,042,098	67,810,780,313

As at 31 December 2013, the aggregated principal amount of SIPs designated at fair value through profit or loss is Rmb 89,195,636(31 December 2012: Rmb 3,273,385,097).

25 PAYROLL AND WELFARE PAYABLE

	31 December 2013	31 December 2012
Salary and bonus	112,509,294	106,976,689
Pension benefits	4,004,863	3,296,290
Others	4,020,508	3,379,260
	120,534,665	113,652,239

(All amounts expressed in Rmb unless otherwise stated)

26 TAXES PAYABLE

	31 December 2013	31 December 2012
Income tax payable/(pre-paid)	12,666,801	(83,116,648)
Business taxand surcharges	56,326,301	56,634,075
Withheld corporate tax	22,692,483	16,517,713
Withheld individual income tax and others	28,883,252	35,869,804
	120,568,837	25,904,944

27 INTEREST PAYABLE

	31 December 2013	31 December 2012
Due to customers	1,189,396,469	1,143,497,879
Bond issued	84,154,795	15,551,370
Due to / placements with other banks and financial institutions	6,243,231	48,029,814
	1,279,794,495	1,207,079,063

28 BOND ISSUED

	31 December 2013	31 December 2012
RMB financial bonds	1,975,960,214	497,867,340

On 4 May 2012, the Bank issued a financial bond with notional amount of Rmb 500 million in the PRC inter-bank market. The bond bears interest at annual rate of 4.75% and its maturity date is 7 May 2015.

On 4 Jan 2013, the Bank issued a financial bond with notional amount of Rmb1,500 million in the PRC inter-bank market. The bond bears interest at annual rate of 4.65% and its maturity date is 7 Jan 2016.

29 OTHER LIABLITIES

	31 December 2013	31 December 2012
Accrued expenses	99,817,754	87,128,210
Payable to overseas related parties(Note 47(3))	87,192,617	176,045,820
Settlements payable	84,577,323	29,447,938
Unearned commission income	9,870,954	9,974,705
Undelivered bonds	-	113,618,408
Others	45,267,700	76,838,424
	326,726,348	493,053,505

(All amounts expressed in Rmb unless otherwise stated)

30 PAID-IN CAPITAL

	31 December 2013	31 December 2012
Registered and fully paid by DBS Bank	6,300,000,000	6,300,000,000

The registered and paid-in capital is Rmb 4 billion as of 31 December 2011, which has been verified by Ernst&Young Hua Ming CPAs Company Limited with a capital verification report (E&Y HM (2007) Yan Zi 60438152_B04) issued on 16 May 2007.Pursuant to the approval from CBRC on 21 August 2012(Yin Jian Fu(2012) No. 429), the Bank increased capital to Rmb 6.3 billion, which has been verified by PricewaterhouseCoopers Zhong Tian CPAs Limited Company with a capital verification report(PwC ZT Yan Zi (2012) No.365) issued on 12 September 2012.

31 CAPITAL SURPLUS

Upon approval from the Board of Directors, capital surplus, other than those relating to receipts of donated non-cash assets and equity investments held, can be used to increase capital. Capital surplus arising from receipts of donated non-cash assets and equity investments can only be used to increase capital after the donated assets or investments have been disposed.

Revaluation reserve for available-for-sale securities is included in the balance of capital surplus at year end and also reported as "other comprehensive income" in the income statement for 2013.

	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
Other capital surplus				
Changes in fair value of available-for-sale financial assets	(8,924,273)	(11,886,265)	3,562,250	(17,248,288)
Transfer of capital surplus recognised under the previous accounting system	22,571,343	-	-	22,571,343
	13,647,070	(11,886,265)	3,562,250	5,323,055

	31 December 2011	Increase in current year	Decrease in current year	31 December 2012
Other capital surplus				
Changes in fair value of available-for-sale financial assets	(28,981,959)	19,514,219	543,467	(8,924,273)
Transfer of capital surplus recognised under the previous accounting system	22,571,343	-	-	22,571,343
	(6,410,616)	19,514,219	543,467	13,647,070

(All amounts expressed in Rmb unless otherwise stated)

32 SURPLUS RESERVE

	2013	2012
At beginning of year	159,943,560	129,327,810
Current year addition	24,105,341	30,615,750
At end of year	184,048,901	159,943,560

In accordance with the Article 167 of Company Law of PRC and the Company's Articles of Association, appropriations from net profit should be made to the Reserve Fund, after offsetting accumulated losses from prior years, and before profit distributions to the parent. The percentages to be appropriated to the Reserve Fund are determined by the Board of Directors of the Bank, but should not be less than 10% of net income after tax before accumulated Reserve Fund reaching 50% or more of the registered capital.Upon approval from the Board of Directors, the Reserve Fund can be used to offset accumulated losses or to increase capital.

33 GENERAL RISK RESERVE

	2013
At beginning of year	587,500,000
Current year addition	218,400,000
At end of year	805,900,000

Pursuant to Circular Caijin No.49 issued by MOF in 2005, banks and certain other financial institutions in the PRC, are required to maintain adequate allowances for impairment losses against their risk assets. In addition, a general risk reserve should be established through the appropriation of retained earnings. This general risk reserve should form part of the owner's equity of financial institutions. As a guiding principle, the balance of general risk reserve should not be less than 1% of the aggregate amount of all risk assets. On 17 April 2012, MOF issued Circular Caijin No.20, which supersedes Circular Caijin No.49 and raises the minimum level of general risk reserve to 1.5% of aggregated amount of all risk assets, which should be fulfilled in the next five years since July 2012.

On 29 January 2013, the directors approved the appropriation to the Bank's general risk reserve of Rmb 218.4 million, in accordance with Circular Caijin No.20 issued in 2012.

34 UNDISTRIBUTED PROFITS

On 27 January 2014, the directors approved the appropriation to the Bank's general risk reserve amounting to Rmb 66.8 million in accordance with Circular Caijin No.20 issued in 2012. The general risk reserve after this appropriation amounts to Rmb 872.7 million.

(All amounts expressed in Rmb unless otherwise stated)

35 NET INTEREST INCOME

	2013	2012
Interest income:		
Loans and advances	2,602,566,232	2,505,798,165
Due from other banks and financial institutions	1,044,279,361	1,029,140,430
Deposits with the central bank	202,463,108	181,924,708
Trading securities	189,013,944	148,611,126
Available-for-sale securities	118,959,746	92,020,823
	4,157,282,391	3,957,495,252
Interest expense:		
Due to other banks and financial institutions	(125,851,035)	(205,229,029)
Due to customers*	(2,483,481,373)	(1,845,208,304)
Bonds issued	(94,936,807)	(15,551,370)
	(2,704,269,215)	(2,065,988,703)
Net interest income	1,453,013,176	1,891,506,549
Comprising		
Interest income for financial assets at fair value through profit or loss	307,973,690	240,631,949
Interest income for financial assets not at fair value through profit or loss	3,849,308,701	3,716,863,303
Interest expense for financial liabilities at fair value through profit or loss	(29,512,298)	-
Interest expense for financial liabilities not at fair value through profit or loss	(2,674,756,917)	(2,065,988,703)
	1,453,013,176	1,891,506,549

*See note 24 with respect to SIPs (Structured Investment Products).

36 NET FEE AND COMMISSION INCOME

	2013	2012
Fee and commission income		
Settlement and clearing fees	231,728,180	172,041,716
Credit related fees and commissions	137,808,854	52,258,462
Others	47,726,703	20,744,772
	417,263,737	245,044,950
Fee and commission expense		
Settlement and clearing fees, brokerage expenses	(35,127,790)	(43,946,247)
Net fee and commission income	382,135,947	201,098,703

(All amounts expressed in Rmb unless otherwise stated)

37 INVESTMENT GAINS

	2013	2012
Repos and reverse repos	69,805,655	48,755,711
Trading assets	(24,400,270)	30,396,432
	45,405,385	79,152,143

38 FAIR VALUE GAINS

	2013	2012
Net unrealized gains/(losses) on reverse repos and repos	11,882,521	(6,594,939)
Net unrealized gains/(losses) on trading assets	5,270,112	(20,745,611)
Net unrealized gains on derivative instruments	378,139	518,297,571
	17,530,772	490,957,021

39 NET GAINS/(LOSSES) FROM FOREIGN EXCHANGE AND DERIVATIVE TRANSACTIONS

	2013	2012
Net gains/(losses) from foreign exchange and derivatives transactions	230,778,320	(685,301,178)

The amount represents net realized gains on foreign exchange and derivative transactions. The derivative transactions including mainly foreign exchange and interest rate derivatives.

40 GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Salaries and bonus	(648,639,857)	(620,791,212)
Social insurance and other welfare benefits	(164,997,932)	(125,493,622)
Share-based compensation plan	(14,252,282)	(11,634,162)
Telecommunications and computers	(182,566,424)	(157,074,285)
Rental and utilities	(171,805,681)	(156,882,083)
Depreciation and amortization	(47,747,058)	(46,791,774)
Travelling expenses	(22,728,264)	(21,067,044)
Business entertainment expenses	(11,623,720)	(11,823,684)
Staff training expenses	(5,461,793)	(5,375,122)
Others	(143,047,681)	(148,471,249)
	(1,412,870,692)	(1,305,404,237)

(All amounts expressed in Rmb unless otherwise stated)

41 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	2013	2012
Impairment losses on loans and advances (Note 15(5))	(218,660,565)	(110,700,781)
Recovery of loans previously written-off	33,309,186	17,094,767
	(185,351,379)	(93,606,014)

42 INCOME TAX

	2013	2012
Current income tax	93,579,055	(7,798,397)
Deferred income tax (Note 19)	(9,847,474)	111,940,815
	83,731,581	104,142,418

The actual income tax expense differs from the theoretical amount that would arise using the standard tax rate of 25%:

	2013	2012
Profit before income tax	324,784,993	410,299,914
Income tax calculated at 25% (2012: 25%)	81,196,248	102,574,979
Annual tax filing differences	(370,029)	(220,541)
Income not subject to tax	-	(972,896)
Effect of expenses not deductible for tax purposes	2,905,362	2,760,876
	83,731,581	104,142,418

(All amounts expressed in Rmb unless otherwise stated)

43 NOTES TO THE STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2013	2012
Cash (Note 8)	57,328,434	53,179,666
Balances with the PBOC other than restricted reserve deposits (Note 8)	3,267,577,444	3,555,826,444
Deposits with other banks with original terms less than three months from acquisition date	6,001,985,707	8,076,309,797
Placements with financial institutions with original terms less than three months from acquisition date	3,135,096,851	4,075,419,712
	12,461,988,436	15,760,735,619

(2) Cash flows from operating activities

	Notes	2013	2012
Net profit		241,053,412	306,157,496
Adjusted by:			
Impairment losses on loans and advances	41	218,660,565	110,700,781
Depreciation and amortization	40	47,747,058	46,791,774
Interest income for investment securities - available-for-sale		(118,959,746)	(102,244,768)
Losses on disposal of fixed assets and other long-term assets		52,154	475,434
Interest expenses of bond issued		94,936,807	609,332
Fair value gains	38	(17,530,772)	(490,957,021)
Deferred income tax (benefits)/expenses	42	(9,847,474)	111,940,815
Increase in operating receivables		(2,525,813,741)	(8,764,446,702)
(Decrease)/Increase in operating payables		(4,057,549,611)	11,065,840,956
Net cash (used in)/provided from operating activities		(6,127,251,348)	2,284,868,097

(3) Net (decrease)/increase in cash and cash equivalents:

	2013	2012
Cash and cash equivalents at end of year	12,461,988,436	15,760,735,619
Less: cash and cash equivalents at beginning of year	15,760,735,619	11,130,739,420
Net (decrease)/increase in cash and cash equivalents	(3,298,747,183)	4,629,996,199

(All amounts expressed in Rmb unless otherwise stated)

44 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Off-balance sheet items

	31 December 2013	31 December 2012
Letters of credit issued	28,184,263,789	21,865,545,724
Standby letter of credit	5,288,506,177	1,074,412,502
Letters of guarantee issued	2,298,840,037	1,112,029,363
Irrevocable loan commitment	1,167,745,235	736,761,515
Bank acceptances	1,272,656,919	1,194,520,292
Letters of credit confirmation	202,641,982	575,478,628
	38,414,654,139	26,558,748,024

(2) Operating lease commitments

Future minimum lease payments under non-cancelable operating leases in respect of office premises are as follows:

	31 December 2013	31 December 2012
Within 1 year	148,901,055	138,469,484
Over 1 year less than 2 years	78,462,409	109,819,902
Over 2 year less than 3 years	51,150,811	39,016,037
Over 3 years	30,049,008	28,483,589
	308,563,283	315,789,012

(3) Legal proceedings

At 31 December 2013, there was no significant legal proceeding against the Bank (31 December 2012: nil).

(4) Capital commitments

As at 31 December 2013, the Bank has no significant capital commitments which require separate disclosure (31 December 2012: nil).

45 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date which requires separate disclosure.

DBS BANK (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

SEGMENT INFORMATION

For the year ended 31 December 2013	Head office	Shanghai	Beijing	Shenzhen	Guangzhou	Tianjin	Others	Elimination	Total
Interest income	332,287,663	2,992,426,097	775,285,334	688,926,485	365,778,690	211,553,887	549,115,740	(1,758,091,505)	4,157,282,391
Interest expense	(186,741,802)	(2,344,482,148)	(574,578,264)	(541,730,317)	(271,284,273)	(133,275,636)	(410,268,280)	1,758,091,505	(2,704,269,215)
Net interest income	145,545,861	647,943,949	200,707,070	147,196,168	94,494,417	78,278,251	138,847,460	-	1,453,013,176
Fee and commission income	-	179,211,236	73,738,567	37,488,688	38,413,419	25,001,250	63,410,577	-	417,263,737
Fee and commission expenses	(1,274)	(33,518,417)	(275,399)	(468,592)	(171,092)	(105,542)	(587,474)	-	(35,127,790)
Net fee and commission income	(1,274)	145,692,819	73,463,168	37,020,096	38,242,327	24,895,708	62,823,103	-	382,135,947
Other income/(losses)	(57,565,961)	209,408,410	50,410,760	46,433,032	16,639,514	9,051,776	21,726,973	-	296,104,504
Operating expenses	(163,986,075)	(917,139,194)	(207,670,993)	(195,531,117)	(108,581,710)	(44,136,442)	(169,940,804)	-	(1,806,986,335)
Non-operating income/(losses)	(580,000)	(676,722)	41,657	384,007	71,930	51,833	1,224,996	-	517,701
Total profit/(loss) before tax	(76,587,449)	85,229,262	116,951,662	35,502,186	40,866,478	68,141,126	54,681,728	-	324,784,993
Loans and advances, net	-	23,480,083,526	7,901,772,210	3,934,842,839	3,714,027,510	2,904,274,623	6,145,975,698	-	48,080,976,406
Total assets	13,019,978,061	56,279,538,161	11,807,719,573	10,071,362,423	6,196,258,980	3,091,420,294	10,419,572,748	(13,998,677,537)	96,887,172,703
Due to customers	-	(37,505,893,585)	(9,682,853,943)	(8,986,288,945)	(5,353,191,156)	(1,079,869,504)	(7,112,944,965)	-	(69,721,042,098)
Total liabilities	(9,184,603,229)	(54,580,902,240)	(11,083,152,432)	(9,316,843,323)	(5,874,197,562)	(2,884,341,710)	(9,815,997,685)	13,998,677,537	(88,741,360,644)
Impairment charge for credit losses	-	74,197,475	23,531,417	36,214,132	11,706,427	4,216,440	35,485,488	-	185,351,379
Depreciation and amortization	783,269	30,345,365	3,390,206	3,227,033	3,482,158	485,083	6,033,944	-	47,747,058
Capital expenditure	225,548	23,709,793	1,029,179	252,840	203,098	154,601	1,267,738	-	26,842,797

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

46 SEGMENT INFORMATION(continued)

For the year ended 31 December 2012	Head office	Shanghai	Beijing	Shenzhen	Guangzhou	Tianjin	Others	Elimination	Total
Interest income	176,544,425	2,287,567,102	649,204,785	511,538,801	391,139,269	172,142,155	283,177,151	(513,818,436)	3,957,495,252
Interest expense	(16,178,801)	(1,456,085,782)	(392,956,329)	(297,851,501)	(195,356,970)	(76,122,811)	(145,254,945)	513,818,436	(2,065,988,703)
Net interest income	160,365,624	831,481,320	256,248,456	213,687,300	195,782,299	96,019,344	137,922,206	-	1,891,506,549
Fee and commission income	-	134,755,344	44,907,594	20,181,020	15,520,015	9,058,247	20,622,730	-	245,044,950
Fee and commission expenses	(1,195)	(42,991,568)	(157,929)	(439,329)	(95,075)	(107,345)	(153,806)	-	(43,946,247)
Net fee and commission income	(1,195)	91,763,776	44,749,665	19,741,691	15,424,940	8,950,902	20,468,924	-	201,098,703
Other income/(losses)	(28,758,620)	(69,616,720)	(7,346,080)	5,706,033	(8,731,593)	(6,321,003)	(68,736)	-	(115,136,719)
Operating expenses	(195,736,021)	(831,141,415)	(167,261,765)	(97,616,170)	(92,295,453)	(58,254,579)	(132,023,063)	-	(1,574,328,466)
Non-operating income/(losses)	349,338	2,706,910	50,659	172,899	(366,774)	100	4,246,715	-	7,159,847
Total profit/(loss) before tax	(63,780,874)	25,193,871	126,440,935	141,691,753	109,813,419	40,394,764	30,546,046	-	410,299,914
Loans and advances, net	-	22,427,488,177	8,916,156,460	3,907,907,174	3,694,550,126	3,128,738,788	4,776,969,441	-	46,851,810,166
Total assets	17,736,117,892	62,992,556,209	16,874,602,631	13,155,497,703	7,863,070,190	3,765,130,914	7,095,787,471	(31,494,082,823)	97,988,680,187
Due to customers	-	(36,550,503,065)	(12,404,135,057)	(10,081,978,119)	(3,732,492,574)	(1,465,903,194)	(3,575,768,304)	-	(67,810,780,313)
Total liabilities	(13,743,198,702)	(61,368,050,863)	(16,266,987,152)	(12,436,480,789)	(7,581,875,250)	(3,626,193,456)	(6,546,894,136)	31,494,082,823	(90,075,597,525)
Reversal of / (Impairment charge) for loans and advances	(5,800,000)	(82,807,195)	(14,193,311)	43,399,080	3,001,633	(21,894,032)	(15,312,189)	-	(93,606,014)
Depreciation and amortization	(839,322)	(29,599,125)	(2,733,857)	(3,143,153)	(3,774,581)	(519,743)	(6,181,993)	-	(46,791,774)
Capital expenditure	247,013	40,835,007	6,096,207	3,926,488	4,931,680	631,121	14,301,740	-	70,969,256

(All amounts expressed in Rmb unless otherwise stated)

46 SEGMENT INFORMATION(continued)

Geographical Information

The Bank's revenue from external customers is mainly from mainland China for 2013 and 2012. As at 31 December 2013 and 2012, all non-current assets of the Bank are located in mainland China.

47 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties who control the Bank or are controlled by the Bank

Name of entity	Registered location	Main business	Relations with the bank	Registered capital	Chairman of the Board
DBS Bank Ltd.	Singapore	Banking and financial service	Parent company	SGD 17,096 million	Peter Seah Lim Huat

DBS Group Holding Ltd., incorporated in Singapore, is the ultimate parent company of the Bank.

(b) Registered capital of related parties which control the Bank or are controlled by the Bank and their changes

Name of entity	31 December 2012	Change	31 December 2013
DBS Bank Ltd.	SGD 17,096 Million	-	SGD 17,096 Million

(c) Shares of interest of related parties who control the Bank or are controlled by the Bank and their changes

Name of entity	31 December 2012		Change		31 December 2013	
	Amount	%	Amount	%	Amount	%
DBS Bank Ltd.	Rmb 6.3 Billion	100	-	-	Rmb 6.3 Billion	100

(d) Nature of related parties which do not control the Bank or are controlled by the Bank

Names of related parties	Relationship with the Bank
DBS Bank (Hong Kong) Limited	Company controlled by the parent company
DBS Bank(Tai Wan) Limited	Company controlled by the parent company

(All amounts expressed in Rmb unless otherwise stated)

47 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions

(1) Pricing policy

The major transactions entered into by the Bank with its related parties are inter-bank borrowing and lending, and derivative transactions. The terms of inter-bank borrowing and lending, and derivative transactions with related parties follow commercial terms arranged in the ordinary course of the Bank's business. The service charges were either based on the actual cost incurred by related parties with no mark-up or actual cost plus a mark-up. Majority of service charges were based on actual cost plus a mark-up of 7%.

(2) Significant related party transactions

(i) Interest income

	2013	2012
DBS Bank Ltd.	265,449	98,558

(ii) Interest expense

	2013	2012
DBS Bank Ltd.	33,433,196	93,806,562
DBS Bank (Hong Kong)Limited	687,267	1,489,335
DBS Bank(Tai Wan) Limited	25,302	-
	34,145,765	95,295,897

(iii) Service charge

	2013	2012
DBS Bank Ltd.	72,222,880	44,612,930
DBS Bank (Hong Kong)Limited	10,647,607	12,701,959
	82,870,487	57,314,889

The service charge is mainly related to technology service support provided by related parties.

(All amounts expressed in Rmb unless otherwise stated)

47 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions(continued)

(3) Balances with related parties

(i)Due from

	31 December 2013	31 December 2012
DBS Bank Ltd.	639,602,493	347,340,550
DBS Bank (Hong Kong)Limited	109,294,144	177,443,906
	748,896,637	524,784,456

(ii)Interest receivable

	31 December 2013	31 December 2012
DBS Bank Ltd.	1,016	786

(iii)Other receivables

	31 December 2013	31 December 2012
DBS Bank Ltd.	25,679,002	20,621,839
DBS Bank (Hong Kong)Limited	2,817,018	2,816,798
	28,496,020	23,438,637

(iv) Deposits / placements from

	31 December 2013	31 December 2012
DBS Bank Ltd.	6,564,088,438	10,194,089,268
DBS Bank (Hong Kong) Limited	7,765,823	45,447,549
DBS Bank (Tai Wan) Limited	57,406,388	1,522,543
	6,629,260,649	10,241,059,360

(All amounts expressed in Rmb unless otherwise stated)

47 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions(continued)

(3) Balances with related parties(continued)

(v) Interest payable

	31 December 2013	31 December 2012
DBS Bank Ltd.	33,433,196	46,801,104
DBS Bank (Hong Kong)Limited	687,267	30,583
DBS Bank(Tai Wan) Limited	6,753	-
	34,127,216	46,831,687

(vi) Other payables

	31 December 2013	31 December 2012
DBS Bank Ltd.	81,672,519	169,534,824
DBS Bank (Hong Kong) Limited	5,520,098	6,510,996
	87,192,617	176,045,820

(vii) Derivative transactions

	31 December 2013	
	Notional amount	Fair value
DBS Bank Ltd.	44,624,625,529	(337,640,298)
DBS Bank (Hong Kong) Limited	7,766,195,219	(36,532,383)
	52,390,820,748	(374,172,681)

	31 December 2012	
	Notional amount	Fair value
DBS Bank Ltd.	43,835,152,329	60,117,051
DBS Bank (Hong Kong) Limited	12,476,200,167	(30,245,787)
	56,311,352,496	29,871,264

48 FINANCIAL RISK MANAGEMENT

48.1 Risk governance

Under the Bank's risk governance framework, the Board of Directors, through the Board Risk Management Committee ('China BRMC'), oversees the establishment of robust enterprise-wide risk management policies and processes, and sets risk limits to guide risk-taking within the Bank.

Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to the risk appetite limits. To provide risk oversight, senior management committees are mandated to focus on specific risk areas. These oversight committees are China Risk Executive Committee (Risk Exco) and its one-down committees, including China Credit Risk Committee (CCRC), China Market & Liquidity Risk Committee (CMLRC), as well as China Operational Risk Committee (CORC).

On a day-to-day basis, business units have primary responsibility for risk management. In partnership with the business units, independent control functions provide senior management with a timely assessment of key risk exposures and the associated management responses. These units also recommend risk appetite and control limits for approval in line with the risk management framework, as well as supplemented policies and procedures to identify, measure, analyse, and control risk of the bank.

48.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk of loss from failure from counterparties to meet their financial obligation for any reason.

Credit risk therefore arises out of the Bank's daily activities in all business groups – from lending to our customers, from entering into derivative transactions to hedge our other financial risk or and from underwriting securities transactions for corporate clients. Credit risk is one of the most significant risks the Bank undertake.

A Credit risk governance

The oversight committee for credit risk is the China Credit Risk Committee. This committee serves as an executive forum for discussion on credit trends and all aspects of credit risk management, including the identification, measurement, monitoring, mitigation and control processes.

48 FINANCIAL RISK MANAGEMENT(continued)

48.2 Credit risk (continued)

B Credit risk measurement

(i) *Loans and advances and off balance exposures*

The Bank uses internal rating system adopted by the group to identify, out of the 11 broad ratings in the system, the risk rating of the corporate borrowers. At the same time, the Bank also assigns loan grade to each facility for both corporate and retail borrowers under a five grade asset classification system to manage the quality of its loan portfolio. Such classification system is based on "the Guidance on Credit Risk Classification" ("the Guidance") issued by CBRC. Under the Bank's own system and the CBRC Guidance, the Bank classifies its credit assets and off-balance sheet credit exposures into five categories, which are namely pass, special mention, substandard, doubtful and loss. The last three categories are also classified as "non-performing credit assets".

The core definition of the Bank's credit asset classification is as follows:

Pass: The borrower is able to fulfil the contractual obligations, and there is no uncertainty that principal and interest can be paid on time.

Special Mention: The borrower is able to make current due payments, but there exist some indications that may have negative impact on the borrower's future payments.

Substandard: The borrower's repayment ability has been in doubt and its normal income cannot repay the loan principal and interest in full. Losses may be incurred by the Bank, even with the enforcement of guarantees and collateral.

Doubtful: The borrower cannot repay the principal and the interest in full. Significant losses will be incurred even with the enforcements of guarantees and collateral.

Loss: After taking into consideration all possible recovery actions and necessary legal procedures, the principal and interest cannot be collected or only a very small portion of principal and interest can be collected.

48 FINANCIAL RISK MANAGEMENT(continued)

48.2 Credit risk (continued)

B Credit risk measurement(continued)

(ii) *Traded products and securities*

Counterparty risk that may arise from traded products and securities is viewed similarly to loan exposures and included under the Bank's overall lending limits to counterparties. Issuer Default Risk that may arise from traded products and securities are generally measured and monitored via limits set by the Bank.

(iii) *Loans to other banks and financial institutions*

The Bank reviews and monitors the credit risk of individual financial institutions on regular basis. Limits are placed for each individual bank or non-banking financial institution which has business relationship with the Bank.

C Credit risk mitigants

(i) *Collateral*

Where possible, the Bank takes collateral as a secondary recourse to the borrower. Collateral includes cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Bank has put in place policies to determine the eligibility of collateral for credit risk mitigation, which include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants. Collateral taken for financial market operations is marked to-market on a mutually-agreed period with the respective counterparties.

Collateral taken for commercial banking is revalued periodically ranging from daily to annually, depending on the type of collateral.

(ii) *Other risk mitigating factors*

The Bank also uses guarantees as credit risk mitigants. While the Bank may accept guarantees from any counterparty, it sets internal thresholds for considering guarantors to be eligible for credit risk mitigation.

The Bank may also enter into Performance Assurance Document (PAD) with counterparties for credit risk reduction and increased competitiveness. These are governed by internal guidelines with respect to the eligibility of various collaterals and the frequency of collateral calls.

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT(continued)

48.2 Credit risk (continued)

C Credit risk mitigants (continued)

(iii) *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, such as those situations where the amount of credit commitment exceeds the original credit limit, guarantee deposits are received by the Bank to lessen the credit risks related to certain of these commitments provided by the Bank. The Bank's potential amount of credit risk is generally equivalent to the total amount of credit commitments less the guarantee deposits placed with the Bank.

D Maximum exposure to credit risk before collateral held or other credit enhancements

	31 December 2013	31 December 2012
Deposits with other banks	8,041,985,706	14,213,304,799
Placements with financial institutions	12,869,481,043	11,457,103,074
Trading assets	3,587,372,816	3,987,444,525
Derivative assets	4,037,184,710	2,873,823,927
Financial assets purchased under resale agreements	2,857,612,839	-
Interest receivable	569,415,748	592,714,121
Loans and advances	48,080,976,406	46,851,810,166
Investment securities – available-for-sale	1,727,323,916	3,051,065,805
Other financial assets	115,632,956	120,021,859
Sub-total	81,886,986,140	83,147,288,276
Letters of credit issued	28,184,263,789	21,865,545,724
Standby letter of credit	5,288,506,177	1,074,412,502
Letters of guarantee issued	2,298,840,037	1,112,029,363
Irrevocable loan commitment	1,167,745,235	736,761,515
Bank acceptances	1,272,656,919	1,194,520,292
Letters of credit confirmation	202,641,982	575,478,628
Sub-total	38,414,654,139	26,558,748,024
Total	120,301,640,279	109,706,036,300

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 59% of the total on-balance-sheet maximum exposure is derived from loans and advances to customers (31 December 2012: 56%).

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.2 Credit risk (continued)

E Placements with financial institutions

	31 December 2013	31 December 2012
Neither past due nor impaired	12,869,481,043	11,457,103,074
Less:allowance for impairment losses	-	-
Placements with financial institutions, net	12,869,481,043	11,457,103,074

F Loans and advances

	31 December 2013	31 December 2012
Neither past due nor impaired	47,981,268,324	46,754,273,690
Past due but not impaired	340,628,248	312,688,283
Impaired	454,412,556	291,259,297
Total	48,776,309,128	47,358,221,270
Less:allowance for impairment losses	(695,332,722)	(506,411,104)
Net	48,080,976,406	46,851,810,166

The total allowance for impairment of loans and advances amounted to Rmb 695 million (31 December 2012: Rmb 506 million), of which Rmb 248 million (31 December 2012: Rmb 172 million) represents the individually assessed impairment allowance and the remaining amount of Rmb 447 million (31 December 2012: Rmb 334 million) represents the collectively assessed impairment allowance.

F.1 Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the five rating classification system adopted by the Bank.

	Corporate loans	Retail loans	Total
31 December 2013			
Pass	41,913,277,928	5,959,853,656	47,873,131,584
Special mention	99,644,019	8,492,721	108,136,740
	42,012,921,947	5,968,346,377	47,981,268,324
31 December 2012			
Pass	41,476,639,848	5,250,527,064	46,727,166,912
Special mention	17,696,667	9,410,111	27,106,778
	41,494,336,515	5,259,937,175	46,754,273,690

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.2 Credit risk (continued)

F Loans and advances (continued)

F.2 Loans and advances past due but not impaired

At the inception of loans, the Bank will appoint independent valuers to determine the fair value of collateral. The Bank will review the latest value of collateral when there is objective evidence of impairment of loan.

The breakdown by overdue period is as follows:

	Past due up to 30 days	Past due 30-60 days	Past due 60-90 days	Past due over 90 days	Total
31 December 2013					
Corporate loans	167,538,188	2,072,836	-	-	169,611,024
Retail loans	150,245,209	17,006,188	3,765,827	-	171,017,224
Total	317,783,397	19,079,024	3,765,827	-	340,628,248
31 December 2012					
Corporate loans	63,596,045	5,963,138	29,705,487	-	99,264,670
Retail loans	164,844,345	38,650,173	8,875,595	1,053,500	213,423,613
Total	228,440,390	44,613,311	38,581,082	1,053,500	312,688,283

F.3 Loans and advances individually impaired

	31 December 2013	31 December 2012
Corporate loans	403,012,770	244,500,207
Retail loans	51,399,786	46,759,090
	454,412,556	291,259,297

F.4 Loans and advances renegotiated

Renegotiated loans represent the loans that original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As of 31 December 2013, there was no renegotiated loan held by the Bank. As at 31 December 2012, the renegotiated loans held by the Bank amounted to Rmb 6 million.

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.2 Credit risk (continued)

G Trading assets and available-for-sale ("AFS") securities

The tables below analyse the Bank's investment securities by issuers' credit rating:

Rmb securities	**Trading securities**	**AFS securities**
31 December 2013		
Rated as AAA	676,804,706	793,647,900
Rated as AA+	318,473,082	348,158,042
Rated as AA	1,460,463,969	-
Rated as AA-	219,263,096	-
Unrated:		
PBOC notes	-	199,521,723
Bonds issued by policy banks	902,662,369	147,382,372
Treasury bonds	9,705,594	238,613,879
	3,587,372,816	1,727,323,916

	Trading assets	**AFS securities**
31 December 2012		
Rated as AAA	651,214,255	1,334,101,108
Rated as AA+	-	199,924,117
Rated as AA	179,379,290	99,693,053
Unrated:		
PBOC notes	-	1,268,459,244
Bonds issued by policy banks	2,936,883,564	148,888,283
Treasury bonds	219,967,416	-
	3,987,444,525	3,051,065,805

48 FINANCIAL RISK MANAGEMENT (continued)

48.3 Market risk

Market risk affects the economic values of financial instruments held by the bank, and arises from changes in interest rate yields, foreign exchange rates, equity prices, commodity prices, credit spreads and changes in the correlations and volatilities of these risk factors.

The Bank's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing market risk management within the bank including limit setting and independent model validation, monitoring and valuation.

Market risk is separately managed for the Bank's trading and banking portfolios.

(i) Trading book market risk

The Bank's Trading book market risk covers potential downside economic value volatility affecting trading positions, arising from changes in interest rates, foreign exchange rates and credit spreads, as well as their correlations and implied volatilities.

The Bank manages trading market risk in the course of structuring and packaging products for investors and other clients, as well as to benefit from market opportunities.

China BRMC establishes the Bank's risk appetite and framework for market risk and China MLRC serve as the executive forum for overseeing various aspects of market risk taking including limit management, policies, processes, methodologies and systems, and report to China Risk Exco.

The Bank's market risk methodology uses a historical simulation approach to forecast the potential loss of the trading book. The principal market risk appetite measures for market risk used by the bank are Tail Value-at-Risk (TVaR) and stress loss. The bank also calculates Value-at-Risk (VaR) at 99% confidence level using the same potential loss distribution and holding period used for TVaR.

TVaR captures losses beyond the chosen confidence interval from the potential loss distribution and hence provides additional information to VaR. TVaR is calculated using a one-day time horizon and a 95% confidence interval. The risk factor scenarios are aligned to parameters and market data that are used for valuation. The TVaR is supplemented by risk control measures, such as sensitivities to risk factors as well as loss triggers for management action.

On the other hand, regular back testing of daily profit and loss against the VaR forecast is carried out for the trading book.

Although both VaR and TVaR provide valuable insights, no statistical measure can capture all aspects of market risk. To supplement VaR and TVaR, regular stress testing is carried out to monitor the bank's vulnerability to unexpected and extreme shocks.

48 FINANCIAL RISK MANAGEMENT (continued)

48.3 Market risk (continued)

(i) Trading book market risk (continued)

The following table shows the year end, average, highest and lowest daily VaR (at a 99% confidence level over a one-day holding period) for the trading market risk.

RMB in million	As at 31 December 2013	1 January 2013 to 31 December 2013 Average	Highest	Lowest
Total	10.33	11.63	18.63	6.03
	As at 31 December 2012	**1 January 2012 to 31 December 2012 Average**	**Highest**	**Lowest**
Total	11.34	8.65	12.25	5.88

(ii) Banking book market risk

Banking book market risk arises from changes in foreign exchange rates and interest rate. Non-trading market risk arises in the course of (a) the Bank's management of funds arising from banking intermediation; (b) the Bank's banking business; specifically, from mismatches in the interest rate profile of assets and liabilities; and (c) from the effect of exchange rate movements on the Bank's earnings and capital accounts.

China BRMC establishes the market risk appetite of banking book. China MLRC oversees banking book market risk, including the setting of operational limits and guidelines to refine risk management, to improve risk control, and reports to China Risk Exco.

A Currency risk

Currency risk exposure in Banking Book covers the foreign exchange risk arising from foreign currency earnings. This non-trading foreign exchange risk is monitored using FX Delta report. The estimated value volatility for the FX Delta position as of 31 December 2013, assuming USD appreciation by 5% against RMB was an increase of Rmb 11.92 million.

48 FINANCIAL RISK MANAGEMENT (continued)

48.3 Market risk (continued)

(ii) Banking book market risk (continued)

B Interest rate risk

The Bank distinguishes two major sources of banking book interest rate risk (a) arising from the deployment of funds in interbank market activities and (b) from mismatches in the interest rate profile of assets and liabilities. This risk is subject to limits established by China MLRC.

Below table is TVaR utilization for banking book interest rate risk arising from the deployment of funds in interbank market activities(DBS TVaR: 1-day horizon at a 95% confidence level with observation period 250 working days).

RMB in million	As at 31 December 2013	1 January 2013 to 31 December 2013 Average	Highest	Lowest
Total	4.10	1.75	4.28	0.75
	As at 31 December 2012	1 January 2012 to 31 December 2012* Average	Highest	Lowest
Total	2.02	1.63	2.63	0.93

*TvaR result for source (a) has been produced since 6 Apr 2012.

The estimated value volatility for major positions in RMB and USD from source (a) of banking book interest rate risk as at 31 December 2013, assuming a 50 basis point increase in general interest rates for these currencies was a decrease of Rmb 4.42 million.

Interest rate risk arising from mismatches in the interest rate profile of assets and liabilities has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality.

Below table is TVaR utilization for banking book interest rate risk from mismatches in the interest rate profile of assets and liabilities(DBS TVaR: 1-day horizon at a 95% confidence level with observation period 250 working days).

		1 January 2013 to 31 December 2013		
Rmb in million	As at 12/31/2013	Average	Highest	Lowest
Total	15.49	23.23	36.57	14.16
		1 January 2012 to 31 December 2012*		
	As at 12/31/2012	Average	Highest	Lowest
Total	29.03	25.6	36.32	12.14

*TvaR result for source (b) has been produced since 6 Apr 2012.

48 FINANCIAL RISK MANAGEMENT (continued)

48.3 Market risk (continued)

(ii) Banking book market risk (continued)

B Interest rate risk (continued)

The estimated value volatility for major positions in RMB, JPY and USD from source (b) of banking book interest rate risk as at 31 December 2013, assuming a 50 basis point increase in general interest rates for these currencies was an increase of Rmb 106.35 million.

The actual results may differ from the above sensitivity impact as the Bank manages factors such as changes in volumes, margins (for interest rate risk) and future business strategies, the impact of which is not captured in the sensitivity assessment.

48.4 Liquidity risk

Funding liquidity risk (or liquidity risk) is the current and prospective risk arising from the Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, and extensions of credit and working capital needs. The Bank seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

China MLRC is the primary party responsible for liquidity risk management based on the Liquidity Risk Management Framework approved by China BRMC, and reports to China Risk Exco.

The primary tool of monitoring liquidity risk is the maturity mismatch analysis, which presents the profile of future expected cash flows under pre-defined scenarios. The Bank compares the expected maturity mismatch cash flow and bank counter balancing capacity. This is monitored against available funding and liquid assets across successive time bands and across major currencies under normal and adverse scenarios. In addition, other monitoring metrics (for example, liquidity ratios, deposit concentration ratio, and balance sheet analysis) are used as complementary tools to the maturity mismatch analysis.

To manage liquidity risk within the tolerance, limits and triggers are set on maturity mismatches under normal and adverse scenarios and other monitoring metrics. Such limits seek to ensure that adequate funding and liquid assets are available to meet liquidity needs under both normal and adverse scenarios.

As part of its management of liquidity risk, the Bank employs a number of management strategies, such as maintaining sufficient liquidity risk counter balancing capacity (including high quality liquid assets, unsecured borrowing capacity and various types of managerial actions), maintaining diversified sources of liquidity and having robust internal control processes. In order to tackle with potential or actual crisis, the Bank establishes a liquidity contingency plans and business recovery plans to ensure the prompt actions can be taken under stress conditions.

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.4 Liquidity risk (continued)

A Non-derivative cash flows of financial assets and liabilities

The table below presents the contractual undiscounted cash flows of the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date.

	Within 1 month	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2013						
Financial Liabilities						
Due to other banks and financial institutions	488,759,274	-	8,899,742	-	-	497,659,016
Placements from other banks	7,267,966,002	3,399,435,657	-	-	-	10,667,401,659
Due to customers	20,273,576,299	16,051,331,972	27,844,715,454	6,843,139,061	-	71,012,762,786
Debentures payable	-	-	93,500,000	2,187,000,000	-	2,280,500,000
Total financial liabilities	28,030,301,575	19,450,767,629	27,947,115,196	9,030,139,061	-	84,458,323,461
Financial Assets						
Cash and deposits with the central bank	14,696,149,526	-	-	-	-	14,696,149,526
Deposits with other banks	5,027,506,802	1,325,907,534	1,796,604,493	-	-	8,150,018,829
Placements with financial institutions	2,847,577,207	3,002,259,207	5,463,419,767	2,023,800,946	-	13,337,057,127
Trading assets	759,586,428	862,464,585	1,774,827,789	410,643,823	21,628,000	3,829,150,625
Financial assets purchased under resale agreements	292,746,000	2,604,695,053	-	-	-	2,897,441,053
Loans and advances	6,374,829,112	12,051,881,399	16,282,616,190	13,681,870,290	6,635,836,466	55,027,033,457
Investment securities – available-for-sale	198,979,945	553,380,000	773,598,000	272,694,000	43,128,000	1,841,779,945
Total financial assets	30,197,375,020	20,400,587,778	26,091,066,239	16,389,009,059	6,700,592,466	99,778,630,562
Net cash flows	2,167,073,445	949,820,149	(1,856,048,957)	7,358,869,998	6,700,592,466	15,320,307,101

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.4 Liquidity risk (continued)

A Non-derivative cash flows of financial assets and liabilities

	Within 1 month	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2012						
Financial Liabilities						
Due to other banks and financial institutions	390,488,590	751,851,023	9,059,608	-	-	1,151,399,221
Placements from other banks	9,027,251,666	4,920,448,723	-	-	-	13,947,700,389
Financial assets sold under repurchase agreements	2,144,873,141	-	-	-	-	2,144,873,141
Due to customers	13,166,634,365	8,513,434,341	38,726,361,095	8,209,498,525	1,315,484,545	69,931,412,871
Debentures payable	-	-	23,750,000	547,500,000	-	571,250,000
Total financial liabilities	24,729,247,762	14,185,734,087	38,759,170,703	8,756,998,525	1,315,484,545	87,746,635,622
Financial Assets						
Cash and deposits with the central bank	14,527,884,912	-	-	-	-	14,527,884,912
Deposits with other banks	6,196,907,512	1,922,013,580	6,338,523,811	-	-	14,457,444,903
Placements with financial institutions	1,402,846,134	2,540,456,569	7,624,366,078	211,100,750	-	11,778,769,531
Trading assets	15,549,555	409,930,281	582,124,918	3,218,149,355	183,030,500	4,408,784,609
Loans and advances	6,325,331,475	9,008,354,431	21,115,727,761	9,905,503,862	6,328,738,653	52,683,656,182
Investment securities – available-for-sale	-	118,232,000	2,314,377,000	739,128,000	44,692,000	3,216,429,000
Total financial assets	28,468,519,588	13,998,986,861	37,975,119,568	14,073,881,967	6,556,461,153	101,072,969,137
Net cash flows	3,739,271,826	(186,747,226)	(784,051,135)	5,316,883,442	5,240,976,608	13,326,333,515

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.4 Liquidity risk (continued)

B Derivative cash flows

(1) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include interest rate swaps and other interest rate derivatives.

The table below analyses the Bank's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2013						
Interest rate derivatives	(1,180,778)	7,997,762	(40,109,652)	40,687,599	9,642,404	17,037,335
31 December 2012						
Interest rate derivatives	5,438,866	2,062,966	4,469,936	11,111,600	-	23,083,368

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.4 Liquidity risk (continued)

B Derivative cash flows (continued)

(2) Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis mainly include derivative: foreign exchange forward, foreign exchange swap, cross-currency swap.

The table below analyses the Bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5years	Total
As at 31 December 2013						
Foreign exchange derivatives						
– Outflow	112,686,039,438	89,737,373,658	110,285,623,384	14,213,835,275	-	326,922,871,755
– Inflow	112,596,726,325	89,733,588,119	110,309,334,706	14,267,498,514	-	326,907,147,664
As at 31 December 2012						
Foreign exchange derivatives						
– Outflow	85,416,532,355	90,802,014,862	108,670,569,593	3,340,097,535	-	288,229,214,345
– Inflow	85,424,020,967	90,916,710,996	108,659,639,249	3,358,947,526	-	288,359,318,738

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.4 Liquidity risk (continued)

C Off-balance sheet items

	No later than 1 year	1-5 years	Over 5 years	Total
31 December 2013				
Letters of credit issued	28,157,295,089	26,968,700	-	28,184,263,789
Letters of guarantee issued	1,990,462,075	183,460,609	124,917,353	2,298,840,037
Irrevocable loan commitment	79,900,000	1,019,436,977	68,408,258	1,167,745,235
Bank acceptances	1,272,656,919	-	-	1,272,656,919
Standby letter of credit	4,751,056,899	537,449,278	-	5,288,506,177
Letters of credit confirmation	202,641,982	-	-	202,641,982
Operating lease commitments	148,901,055	147,680,266	11,981,962	308,563,283
Total	36,602,914,019	1,914,995,830	205,307,573	38,723,217,422
31 December 2012				
Letters of credit issued	21,865,545,724	-	-	21,865,545,724
Letters of guarantee issued	969,822,408	123,206,955	19,000,000	1,112,029,363
Irrevocable loan commitment	236,046,796	355,557,020	145,157,699	736,761,515
Bank acceptances	1,194,520,292	-	-	1,194,520,292
Standby letter of credit	948,702,502	125,710,000	-	1,074,412,502
Letters of credit confirmation	575,478,628	-	-	575,478,628
Operating lease commitments	138,469,484	177,319,528	-	315,789,012
Total	25,928,585,834	781,793,503	164,157,699	26,874,537,036

48.5 Fair values of financial assets and liabilities

Fair values estimation is made in accordance with information of market and financial instruments in some specific point. Estimation is based on following methods and supposition:

(i) Cash and due from other banks and financial institutions, Deposits with the central bank, Deposits with other banks,Due to other banks and financial institutions, Interest receivable, Interest payable, Other assets and Other liabilities.

Given that maturities of these financial assets and liabilities are either short-term or re-priced more than once every year; the carrying amount approximates the fair value.

(ii) Loans and advances

Because the Rmb loan interest rates follows the movement of PBOC benchmark interest rates, and interest tares for loans denominated in foreign exchange are generally floating rates, fair value of loans is close to carrying value.

(iii) Customer deposits

The fair value of current, savings and money market accounts is the amount payable on demand at the reporting date. The carrying value of fixed interest-bearing deposits and placements approximates to its fair value because they are mainly payable in short term period.

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.6 Fair value hierarchy

CBRC guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and Rmb debt instruments traded in inter-bank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and China Bond.

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes structured financial instruments.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Trading securities	-	3,587,372,816	-	3,587,372,816
- Derivatives assets	-	4,036,707,687	477,023	4,037,184,710
- Reverse repos	-	2,857,612,839	-	2,857,612,839
Available–for-sale investments	-	1,727,323,916	-	1,727,323,916
Total Assets	-	12,209,017,258	477,023	12,209,494,281
Financial liabilities at fair value through profit or loss				
- Derivative liabilities	-	(4,042,559,952)	(477,023)	(4,043,036,975)
Financial liabilities designated as fair value through profit or loss - SIPs	-	(83,646,795)	-	(83,646,795)
Total Liabilities	-	(4,126,206,747)	(477,023)	(4,126,683,770)

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.6 Fair value hierarchy(continued)

31 December 2012

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Trading securities	-	3,987,444,525	-	3,987,444,525
- Derivatives assets	-	2,871,929,620	1,894,307	2,873,823,927
Available--for-sale investments	-	3,051,065,805	-	3,051,065,805
Total Assets	-	9,910,439,950	1,894,307	9,912,334,257
Financial liabilities at fair value through profit or loss				
- Derivative liabilities	-	(2,741,810,723)	(2,269,986)	(2,744,080,709)
- Repos	-	(2,141,329,682)	-	(2,141,329,682)
Financial liabilities designated as fair value through profit or loss - SIPs	-	(3,384,042,912)	(722,115)	(3,384,765,027)
Total Liabilities	-	(8,267,183,317)	(2,992,101)	(8,270,175,418)

There are no significant transfers in or out regarding to assets or liabilities measured at fair value through profit or loss and categorised within Level 3.

(All amounts expressed in Rmb unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (continued)

48.7 Capital management

The Bank's capital management focuses on monitoring of the Capital Adequacy Ratio (CAR). DBS (China) actively manages the capital to achieve the following:

(a) To ensure DBS (China)'s continuous compliance with the regulatory CAR requirements and have sufficient capital to support the internally assessed capital demand;

(b) To ensure DBS (China)'s capital is adequate to support the business strategy and growth;

(c) To optimize the return to shareholders while maintaining a prudent level of capital in relation to the underlying risks of the business.

The Bank calculates and discloses Capital Adequacy Ratio in accordance with "The Trial Measures on Management of Capital for Commercial Banks" and other regulatory requirements issued by the CBRC.

The table below provides the analysis of regulatory capital and the ratios of the Bank.

	31 December 2013
Core Tier 1 capital adequacy ratio	12.68%
Tier 1 capital adequacy ratio	12.68%
Capital adequacy ratio	13.06%
Core Tier 1 capital	8,145,812,059
Regulatory Deductions for Core Tier 1 capital	-
Net core Tier 1 capital	8,145,812,059
Other Tier 1 capital	-
Net Tier 1 capital	8,145,812,059
Tier 2 capital	240,920,166
Total regulatory capital	8,386,732,225
Total risk-weighted assets	64,232,861,100