DBS BANK (CHINA) LIMITED

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2014

[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 2014

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pwc 普华永道

(English Translation For Reference Only)

AUDITOR'S REPORT

PwC ZT Shen Zi (2015) No. 20807

(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 2014, the income statement, the cash flow statement and the statement of changes in owners' 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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pwc

普华永道

(English Translation For Reference Only)

AUDITOR'S REPORT
(continued)

PwC ZT Shen Zi (2015) No. 20807

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, 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

30 January 2015

DBS BANK (CHINA) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2014
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2014	31 December 2013	01 January 2013
Cash and deposits with the central bank	9	14,641,751,532	14,696,149,526	14,527,884,912
Deposits with other banks	10	6,808,957,502	8,041,985,706	14,213,304,799
Placements with financial institutions	11	9,869,974,765	12,869,481,043	11,457,103,074
Financial assets at fair value through profit or loss	12	6,404,708,433	3,587,372,816	3,987,444,525
Derivative assets	13	2,466,125,887	4,037,184,710	2,873,823,927
Financial assets purchased under resale agreements	14	2,018,231,539	2,857,612,839	-
Interest receivable	15	676,851,270	569,415,748	592,714,121
Loans and advances	16	51,312,240,968	48,080,976,406	46,851,810,166
Investment securities - available-for-sale	17	3,114,560,775	1,727,323,916	3,051,065,805
Fixed assets	18	84,394,404	86,906,367	97,164,247
Long-term prepaid expenses	19	19,507,951	24,046,681	34,745,216
Deferred income tax assets	20	305,382,068	173,421,744	160,799,598
Other assets	21	331,279,100	135,295,201	140,819,797
TOTAL ASSETS		98,053,966,194	96,887,172,703	97,988,680,187

LIABILITIES	Notes	31 December 2014	31 December 2013	01 January 2013
Due to other banks and financial institutions	22	3,545,531,502	497,606,912	1,106,785,999
Placements from other banks	23	8,902,778,114	10,656,090,100	13,935,063,731
Derivative liabilities	13	2,464,821,531	4,043,036,975	2,744,080,709
Financial assets sold under repurchase agreements	24	2,249,084,549	-	2,141,329,682
Due to customers	25	68,440,297,462	69,721,042,098	67,810,780,313
Payroll and welfare payable	26	145,485,453	120,534,665	113,652,239
Taxes payable	27	205,559,525	120,568,837	25,904,944
Interest payable	28	1,052,884,293	1,279,794,495	1,207,079,063
Bonds issued	29	2,001,569,222	1,975,960,214	497,867,340
Other liabilities	30	530,933,642	326,726,348	493,053,505
TOTAL LIABILITIES		89,538,945,293	88,741,360,644	90,075,597,525
OWNER'S EQUITY				
Paid-in capital	31	6,300,000,000	6,300,000,000	6,300,000,000
Capital surplus	32	22,571,343	22,571,343	22,571,343
Other comprehensive income	44	(611,516)	(17,248,288)	(8,924,273)
Surplus reserve	33	219,306,108	184,048,901	159,943,560
General risk reserve	34	872,700,000	805,900,000	587,500,000
Undistributed profits	35	1,101,054,966	850,540,103	851,992,032
TOTAL OWNER'S EQUITY		8,515,020,901	8,145,812,059	7,913,082,662
TOTAL LIABILITIES AND OWNER'S EQUITY		98,053,966,194	96,887,172,703	97,988,680,187

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

Chairman: Dominic Ho

CEO: Neil Ge

CFO: Cristo Chow

DBS BANK (CHINA) LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Notes	2014	2013
Interest income	36	4,705,702,727	4,157,282,391
Interest expense	36	(2,695,482,783)	(2,704,269,215)
Net interest income		2,010,219,944	1,453,013,176
Fee and commission income	37	465,901,177	417,263,737
Fee and commission expenses	37	(53,450,427)	(35,127,790)
Net fee and commission income		412,450,750	382,135,947
Investment gains	38	129,712,903	45,405,385
Fair value (losses)/gains	39	(42,631,470)	17,530,772
Net gains from foreign exchange and derivative transactions	40	449,450,294	230,778,320
Other business income		89,085	2,390,027
Operating income		2,959,291,506	2,131,253,627
Business tax and levies		(253,175,920)	(208,764,264)
General and administrative expenses	41	(1,627,939,445)	(1,412,870,692)
Asset impairement losses	42	(615,885,901)	(185,351,379)
Operating expense		(2,497,001,266)	(1,806,986,335)
Operating profit		462,290,240	324,267,292
Non-operating income		20,925,790	2,490,498
Non-operating expenses		(15,496,606)	(1,972,797)
Total profit		467,719,424	324,784,993
Less: Income tax	43	(115,147,354)	(83,731,581)
Net profit		352,572,070	241,053,412
Net Other comprehensive income			
Other comprehensive income which will be reclassified to profit or loss subsequently			
-Gains or losses arising from changes in fair value of available-for-sale financial assets	44	16,636,772	(8,324,015)
Total comprehensive income		369,208,842	232,729,397

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

Chairman: Dominic Ho

CEO: Neil Ge

CFO: Cristo Chow

DBS BANK (CHINA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Notes	2014	2013
1 **Cash flows from operating activities**			
Net increase in customer deposits and due to other banks		1,765,030,908	1,418,011,469
Net decrease in deposits with the central bank and other banks		1,752,513,312	3,644,630,158
Net decrease in Financial assets at fair value through profit or loss		-	380,941,551
Net decrease in placements with financial institutions		3,082,019,428	-
Net increase in financial assets sold under repurchase agreements		2,249,084,549	-
Net decrease in financial assets purchased under resale agreements		839,381,300	-
Interest received		4,479,023,980	4,062,815,079
Fee and commission received		488,863,167	472,393,122
Cash received relating to other operating activities		463,547,117	317,777,513
Sub-total of cash inflow		15,119,463,761	10,296,568,892
Net increase in loans and advances		(3,846,396,984)	(1,447,826,805)
Net decrease in placements from other banks		(1,753,311,986)	(3,278,973,631)
Net increase in placements with financial institutions		-	(2,352,700,831)
Net decrease in financial assets sold under repurchase agreements		-	(2,193,802,679)
Net increase in financial assets at fair value through profit or loss		(2,713,015,152)	-
Net increase in financial assets purchased under resale agreements		-	(2,723,451,666)
Interest paid		(2,823,002,733)	(2,602,639,019)
Fee and commission paid		(53,450,427)	(35,127,790)
Cash paid to employees		(937,531,719)	(806,755,363)
Payment of taxes		(420,838,500)	(207,679,426)
Cash paid relating to other operating activities		(638,907,361)	(774,863,030)
Sub-total of cash outflow		(13,186,454,862)	(16,423,820,240)
Net cash provided from/(used in) operating activities	45	1,933,008,899	(6,127,251,348)

DBS BANK (CHINA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

		Notes	2014	2013
2	**Cash flows from investing activities**			
	Cash received from disposal of investment securities - available-for-sale		2,444,945,503	2,772,643,202
	Interest received from investment securities - available-for-sale		119,243,225	117,765,685
	Cash received from disposal of fixed assets		5,010,847	-
	Sub-total of cash inflow		2,569,199,575	2,890,408,887
	Cash paid for purchase of investment securities-available-for-sale		(3,810,000,000)	(1,460,000,000)
	Cash paid for purchase of fixed assets and other long-term assets		(54,111,748)	(26,842,797)
	Sub-total of cash outflow		(3,864,111,748)	(1,486,842,797)
	Net cash (used in)/provided from investing activities		(1,294,912,173)	1,403,566,090
3	**Cash flows from financing activities**			
	Cash received from bond issuance		-	1,494,556,343
	Sub-total of cash inflow		-	1,494,556,343
	Cash payments for interest expenses		(96,661,036)	(26,333,382)
	Sub-total of cash outflow		(96,661,036)	(26,333,382)
	Net cash flows (used in)/provided from financing acti		(96,661,036)	1,468,222,961
4	**Effect of foreign exchange rate changes on cash and cash equivalents**		6,164,574	(43,284,886)
5	**Net increase/(decrease) in cash and cash equivalents**		547,600,264	(3,298,747,183)
	Add: Cash and cash equivalents at beginning of year		12,461,988,436	15,760,735,619
6	**Cash and cash equivalents at end of year**	45	13,009,588,700	12,461,988,436

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

Chairman:
Dominic Ho

CEO:
Neil Ge

CFO:
Cristo Chow

DBS BANK (CHINA) LIMITED

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts expressed in Rmb unless otherwise stated)
[English translation for reference only]

	Paid-in capital Note 31	Capital surplus Note 32	Other comprehensive income Note 44	Surplus reserve Note 33	General risk reserve Note 34	Undistributed profits Note 35	Total owners' equity
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
Changes in accounting policy		8,924,273	(8,924,273)				
Balance at 1 January 2013	6,300,000,000	22,571,343	(8,924,273)	159,943,560	587,500,000	851,992,032	7,913,082,662
Comprehensive income							
Net profit for the year of 2013	-	-	-	-	-	241,053,412	241,053,412
Other comprehensive income	-	-	(8,324,015)	-	-	-	(8,324,015)
Total comprehensive income	-	-	(8,324,015)	-	-	241,053,412	232,729,397
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	22,571,343	(17,248,288)	184,048,901	805,900,000	850,540,103	8,145,812,059
Comprehensive income							
Net profit for the year of 2014	-	-	-	-	-	352,572,070	352,572,070
Other comprehensive income	-	-	16,636,772	-	-	-	16,636,772
Total comprehensive income	-	-	16,636,772	-	-	352,572,070	369,208,842
Profit distribution							
Transfer to general risk reserve	-	-	-	-	66,800,000	(66,800,000)	-
Transfer to surplus reserve	-	-	-	35,257,207	-	(35,257,207)	-
Balance at 31 December 2014	6,300,000,000	22,571,343	(611,516)	219,306,108	872,700,000	1,101,054,966	8,515,020,901

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

Chairman:
Dominic Ho

CEO:
Neil Ge

CFO:
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 one 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 are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and other accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

The financial statements are prepared on a going concern basis.

3 STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Bank for the year ended 31 December 2014 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 2014 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 4 (H)).

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, financial assets purchased under resale agreements, 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;

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;

(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:

(i) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;

(iii) 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)

l 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 46.

R Employee benefits

Employee benefits mainly include short-term employee salary, post-employment benefits, and share plan incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labour relation.

(1) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Employee benefits which are non-monetary benefits shall be measured at fair value.

(2) Post-employment benefits

The Bank classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Bank 's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

The Bank's employees participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retire, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognised as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

4 PRINCIPAL ACCOUNTING POLICIES(continued)

R Employee benefits(continued)

(3) Share Based Payment

All the employees of the Bank enjoy the equity-settled stock incentive plan implemented by the DBS Group Holding Ltd. ("DBS Group"), under which the Bank provides shares issued by DBS Group to all the employees for exchange of services they provided. Such shares provided are recognised in the Bank's income statement according to the fair value of the equity instruments at the grant date and 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, and 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.

(All amounts expressed in RMB unless otherwise stated)

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 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

In 2014, the Ministry of Finance of the PRC issued CAS 39 "Fair Value Measurement", CAS 40 "Joint arrangement", CAS 41 "Disclosure of Interests in Other Entities", and CAS 2 "Long-Term Equity Investments"(revised), CAS 9 "Employee Benefits" (revised), CAS 30 "Presentation of Financial Statements" (revised), CAS 33 "Consolidated Financial Statements" (revised) and CAS 37 "Presentation of Financial Instrument" (revised), requiring that apart from the CAS 37 "Presentation of Financial Instrument" (revised) which should be implemented for financial statements starting from 2014, all other standards should be applied from 1 July 2014.

The Bank has adopted the above new standards to prepare the financial statements for the year ended 31 December 2014.
Some financial statement items and related financial statement items of comparative period have been amended according to changes in accounting policies mentioned above. Besides, the balance sheet of 1 Jan 2013 has been restated according to CAS 30 "Presentation of Financial Statements". The impact of restatement is tabled as below.

		31 Dec 2013			1 Jan 2013	
	Before Restatement	Restate amount	After Resatement	Before Restatement	Restate amount	After Resatement
Owner's equity:						
Capital reserve	5,323,055	17,248,288	22,571,343	13,647,070	8,924,273	22,571,343
Other comprehensive income	-	(17,248,288)	(17,248,288)	-	(8,924,273)	(8,924,273)

Contents and reasons of accounting polices change	Affected disclosure	Affected amount
The disclosure related to fair value have been prepared according to CAS 39 "Fair Value Measurement" (revised), related disclosure of comparative period has not been modified according to the revised CAS.	Not applicable	Not applicable
The disclosure related to payroll payable have been prepared according to CAS 9 "Employee Benefits" (revised), related disclosure of comparative period has been modified according to the revised CAS.	Not applicable	Not applicable

7 AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were authorized for issue by Board of Directors on 27 January 2015.

8 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 2014 is 25% (2013: 25%).

9 CASH AND DEPOSITS WITH THE CENTRAL BANK

	31 December 2014	31 December 2013
Cash	56,417,839	57,328,434
Statutory deposit reserve with the central bank	11,258,730,336	11,371,243,648
Excess deposit reserve with the central bank	3,326,603,357	3,267,577,444
	14,641,751,532	14,696,149,526

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 2014(31 December 2013: 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 2014(31 December 2013: 18%). RMB deposit reserve bears interest at annual rate of 1.62% (2013: 1.62%).

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

10 DEPOSITS WITH OTHER BANKS

	31 December 2014	31 December 2013
Deposits with domestic banks	6,179,235,349	7,444,521,030
Deposits with overseas banks	420,600,678	458,258,039
Deposits with overseas related parties (Note 49(e)(3)(i))	209,121,475	139,206,637
	6,808,957,502	8,041,985,706

(All amounts expressed in RMB unless otherwise stated)

11 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Placements with domestic financial institutions	8,707,364,765	12,259,791,043
Placements with overseas related banks (Note 49(e)(3)(i))	1,162,610,000	609,690,000
	9,869,974,765	12,869,481,043

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014	31 December 2013
Investments in debenture held for trading		
Bonds issued by policy banks	3,889,819,958	902,662,369
Corporate bonds	1,592,553,549	2,675,004,853
Treasury bonds	40,229,148	9,705,594
Negotiable certificates of deposit	882,105,778	-
	6,404,708,433	3,587,372,816

The fair value of the investments in debenture held for trading and the investments in equity instrument held for trading is determined at the closing price of Shanghai Stock Exchange on the last trading day of the year.

As at 31 December 2014, trading assets amounting to RMB 1,090,000,000 were pledged as collateral under repurchase agreements with other banks and financial institutions. As at 31 December 2013, there were no trading assets which were pledged as collateral under repurchase agreements with other banks and financial institutions.

13 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

13.1 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)

13 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

13.1 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 2014	Notional amount	Assets	Liabilities
Foreign exchange derivatives			
Foreign exchange forward	22,912,647,304	228,543,897	(46,117,300)
Foreign exchange swap	344,480,502,049	1,130,281,817	(1,355,807,294)
Foreign exchange option	24,957,242,445	126,190,910	(101,130,221)
Cross-currency swap	2,465,539,761	28,758,261	(13,139,841)
	394,815,931,559	1,513,774,885	(1,516,194,656)
Interest rate derivatives			
Interest rate swap	306,436,041,254	732,587,232	(718,368,450)
Interest rate cap and floor	62,533,332,940	109,232,678	(114,520,894)
	368,969,374,194	841,819,910	(832,889,344)
Equity derivatives	2,594,674,246	40,920,578	(46,391,471)
Commodity derivatives	4,743,216,422	69,610,514	(69,346,060)
Total	771,123,196,421	2,466,125,887	(2,464,821,531)

(All amounts expressed in RMB unless otherwise stated)

13 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

13.1 DERIVATIVE INSTRUMENTS(continued)

		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)

13 DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING(continued)

13.2 HEDGE ACCOUNTING

As at 31 December 2014, derivative contracts designated as hedging instruments by the Bank are as follows:

		Fair Value	
	notional amount	Assets	Liabilities
Derivatives designated as hedging instruments in fair value hedges			
Interest rate swaps	930,000,000	-	(4,957,640)

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

		Fair Value	
	notional amount	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:

	2014	2013
—hedging instruments	14,135,694	(19,093,334)
—hedged items: bonds issued	(13,581,544)	19,044,851
Hedge ineffectiveness recognised in net trading losses	554,150	(48,483)

14 FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	31 December 2014	31 December 2013
Financial assets purchased under resale agreements designated at fair value through profit or loss, at fair value	2,018,231,539	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)

15 INTEREST RECEIVABLE

	31 December 2014	31 December 2013
Loans and advances	388,154,136	324,017,090
Deposits and placements with financial institutions	89,018,417	96,099,400
Trading securities	96,472,900	97,432,356
Available-for-sale securities	78,267,903	39,977,115
Deposits with the central bank	5,905,461	5,901,422
Financial assets purchased under resale agreements designated at fair value through profit of loss, at fair value	19,032,453	5,988,365
	676,851,270	569,415,748

16 LOANS AND ADVANCES

	31 December 2014	31 December 2013
Retail loans		
-Mortgage loans	4,724,108,320	4,371,065,555
-Others	1,542,078,858	1,819,697,831
	6,266,187,178	6,190,763,386
Corporate loans and advances		
-Loans	39,389,182,384	34,522,097,687
-Import and export bills	646,422,720	481,946,387
-Discounted bills and others	6,252,713,447	7,581,501,668
	46,288,318,551	42,585,545,742
Total loans	52,554,505,729	48,776,309,128
Individual impairment allowance	(368,793,120)	(248,658,205)
Collective impairment allowance	(873,471,641)	(446,674,517)
Total impairment allowance	(1,242,264,761)	(695,332,722)
Loans and advances, net	51,312,240,968	48,080,976,406

(All amounts expressed in RMB unless otherwise stated)

16 LOANS AND ADVANCES (continued)

(1) Industry sector:

	31 December 2014		31 December 2013	
	Balance	%	Balance	%
Consumer loans	6,266,187,178	12%	6,190,763,386	13%
Manufacturing	17,540,531,544	34%	17,230,892,818	36%
Wholesale and retail business	14,859,860,300	28%	13,429,544,067	28%
Real estate	6,336,841,807	12%	5,364,350,879	11%
Leasing and commercial services	2,033,377,459	4%	2,152,744,534	4%
Transportation	1,152,435,364	2%	1,214,554,817	2%
Construction	1,123,308,079	2%	797,070,028	2%
Agriculture, Hunting, Forestry and Fishing	701,665,528	1%	306,806,306	1%
Mining industry	545,320,214	1%	681,642,289	1%
Information and technology	511,661,520	1%	488,675,254	1%
Hotel and restaurant	308,275,334	1%	160,288,711	-
Science research and Technical services	64,867,295	-	446,308,143	1%
Resident services and other services	38,022,995	-	158,378,402	-
Others	1,072,151,112	2%	154,289,494	-
Total, gross	52,554,505,729	100%	48,776,309,128	100%

(All amounts expressed in RMB unless otherwise stated)

16 LOANS AND ADVANCES (continued)

(2) Geographic sector:

	31 December 2014	31 December 2013
Shanghai	24,950,491,466	23,799,750,602
Beijing	8,969,671,133	7,988,559,170
Shenzhen	4,934,862,670	4,048,364,720
Guangzhou	3,380,756,304	3,785,918,616
Tianjin	3,101,314,731	2,944,024,703
Chongqing	2,884,182,352	1,631,678,388
Suzhou	1,811,155,314	2,096,971,045
Hangzhou	1,134,601,984	1,340,179,474
Others	1,387,469,775	1,140,862,410
Total, gross	52,554,505,729	48,776,309,128

(3) By type of collateral and guarantee:

	31 December 2014	31 December 2013
Clean loans	16,476,007,431	15,313,976,721
With guarantee only	9,660,917,421	7,643,876,458
With collateral only	12,217,503,597	12,866,434,810
With both collateral and guarantee	14,200,077,280	12,952,021,139
Total, gross	52,554,505,729	48,776,309,128

(All amounts expressed in RMB unless otherwise stated)

16 LOANS AND ADVANCES (continued)

(4) Loans and advances past due:

	31 December 2014				
	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	-	4,451,320	68,491,628	10,547,801	83,490,749
With guarantee only	21,071,194	8,136,479	19,054,529	-	48,262,202
With collateral only	207,048,166	20,057,916	29,342,479	8,133,852	264,582,413
With both collateral and guarantee	245,266,241	177,267,290	197,923,770	40,552,169	661,009,470
Total, gross	473,385,601	209,913,005	314,812,406	59,233,822	1,057,344,834

	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
Total, gross	348,861,528	235,779,454	196,365,986	12,401,619	793,408,587

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

	2014		
	Individually assessed	Collectively assessed	Total
At 1 January	248,658,205	446,674,517	695,332,722
Impairment losses for loans and advances (Note 42)	188,335,298	426,797,124	615,132,422
Write-off	(68,305,139)	-	(68,305,139)
Exchange difference	104,756	-	104,756
At 31 December	368,793,120	873,471,641	1,242,264,761

	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 42)	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

(All amounts expressed in RMB unless otherwise stated)

17 INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

	31 December 2014	31 December 2013
At fair value		
Corporate bonds	232,509,282	1,141,805,942
Treasury bonds	650,486,820	238,613,879
PBOC notes	99,916,986	199,521,723
Bonds issued by policy banks	2,131,647,687	147,382,372
	3,114,560,775	1,727,323,916

At 31 Dec 2014, the amount of pledged financial assets held for sale is RMB 1,210,000,000. There no amount of pledged financial assets held for sale at 31 Dec 2013.

18 FIXED ASSETS

	Office equipment and furniture	Computers and other electronic equipment	Total
Cost			
At 1 January 2014	85,136,204	141,822,717	226,958,921
Add: Transfer-in and other additions	17,737,073	30,595,369	48,332,442
Less: Disposals/write-off	(5,710,719)	(13,001,001)	(18,711,720)
At 31 December 2014	97,162,558	159,417,085	256,579,643
Accumulated depreciation			
At 1 January 2014	57,774,938	82,277,616	140,052,554
Add: Charge for the year	14,298,445	22,637,392	36,935,837
Less: Disposals/write-off	(3,962,393)	(840,759)	(4,803,152)
At 31 December 2014	68,110,990	104,074,249	172,185,239
Net book value			
At 31 December 2014	29,051,568	55,342,836	84,394,404
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

(All amounts expressed in RMB unless otherwise stated)

19 LONG-TERM PREPAIDEXPENSES

	Leasehold improvement	Others	Total
As at 1 January 2014	22,672,542	1,374,139	24,046,681
Additions	9,423,901	-	9,423,901
Transfer-out	(3,644,596)	-	(3,644,596)
Amortization	(10,202,490)	(115,545)	(10,318,035)
As at 31 December 2014	18,249,357	1,258,594	19,507,951
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

20 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 2013: 25%).

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

	2014	2013
At beginning of year	173,421,744	160,799,598
Income statement credit (Note 43)	137,505,914	9,847,474
Available-for-sale securities -Fair value measurement(Note 44)	(5,545,590)	2,774,672
At end of year	305,382,068	173,421,744

(1) Deferred tax assets

	31 December 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	197,650,914	790,603,656	101,112,666	404,450,664
Provision for other receivables	5,305,836	21,223,346	-	-
Assets available for sale	203,839	815,355	5,749,429	22,997,717
Fair value measurement of available-for-sale securities	5,429,198	21,716,790	-	-
Share based payment not exercised incentive plan	4,859,432	19,437,727	-	-
Accrued expenses	91,932,849	367,731,398	71,655,194	286,620,775
	305,382,068	1,221,528,272	178,517,289	714,069,156

DBS BANK (CHINA) LIMITED

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(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

20 DEFERRED INCOME TAX ASSETS(continued)

(1) Deferred tax assets(continued)

Comprising:

Estimated recover within 1 year (including 1 year)	107,212,181	428,848,725	77,200,784	308,803,137
Estimated recover after 1 year	198,169,887	792,679,547	101,316,505	405,266,019
	305,382,068	1,221,528,272	178,517,289	714,069,156

(2) Deferred tax liabilities

	31 December 2014		31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value	-	-	(5,095,545)	(20,382,180)

Comprising:

Estimated recover within 1 year (including 1 year)	-	-	(5,095,545)	(20,382,180)
Estimated recover after 1 year	-	-	-	-
	-	-	(5,095,545)	(20,382,180)

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

	31 December 2014	31 December 2013
Deferred tax assets, net	305,382,068	173,421,744

DBS BANK (CHINA) LIMITED

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[English translation for reference only]

21 OTHER ASSETS

	31 December 2014	31 December 2013
Rental deposits	94,664,174	46,341,547
Receivables from related parties (Note 49(e)(3)(iii))	36,295,384	28,496,020
Settlement receivables from customers	190,694,286	23,903,901
Provision for settlement receivables from customers	(21,223,346)	-
Net client settlement receivables from customers	169,470,940	23,903,901
Prepaid expenses	22,997,604	19,662,245
Unsettled bonds	-	9,803,680
Others	7,850,998	7,087,808
	331,279,100	135,295,201

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Settlement receivables from customers	23,903,901			190,694,286
Minus: Provision for settlement receivables from customers	-	(21,223,346)	-	(21,223,346)
	23,903,901			169,470,940

(All amounts expressed in RMB unless otherwise stated)

22 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Deposits from domestic banks	69,792,584	51,544,563
Deposits from domestic related parties (Note 49(e)(3)(iv))	237,018,501	321,582,094
Deposits from overseas related parties (Note 49(e)(3)(iv))	3,238,720,417	124,480,255
	3,545,531,502	497,606,912

23 PLACEMENTS FROM OTHER BANKS

	31 December 2014	31 December 2013
Placements from domestic banks	3,982,157,000	4,472,891,800
Placements from overseas related parties (Note 49(e)(3)(iv))	4,920,621,114	6,183,198,300
	8,902,778,114	10,656,090,100

24 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2014	31 December 2013
Financial assets sold under repurchase agreements designated at fair value through profit or loss, at fair value	2,249,084,549	-

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.

25 DUE TO CUSTOMERS

	31 December 2014	31 December 2013
At amortized cost		
Corporate current deposits	8,775,268,469	6,486,194,173
Corporate time deposits	22,139,305,361	23,189,002,099
Retail current deposits	1,442,902,175	1,703,629,511
Retail time deposits	2,586,736,424	3,274,045,284
SIPs sold to corporate customers	31,342,603,043	29,650,385,161
SIPs sold to retail customers	2,068,166,531	5,334,139,075
	68,354,982,003	69,637,395,303
SIPs designated at fair value through profit or loss		
SIPs sold to retail customers	85,315,459	83,646,795
	85,315,459	83,646,795
	68,440,297,462	69,721,042,098

(All amounts expressed in RMB unless otherwise stated)

26 PAYROLL AND WELFARE PAYABLE

	31 December 2014	31 December 2013
Short-term employee benefits	140,424,133	116,201,524
Defined contribution plans	5,061,320	4,333,141
	145,485,453	120,534,665

27 TAXES PAYABLE

	31 December 2014	31 December 2013
Income tax payable	77,494,455	12,666,801
Business taxand surcharges	71,899,499	56,326,301
Withholding corporate tax	34,283,954	22,692,483
Withholding individual income tax and others	21,881,617	28,883,252
	205,559,525	120,568,837

28 INTEREST PAYABLE

	31 December 2014	31 December 2013
Due to customers	957,372,970	1,189,396,469
Bonds issued	84,154,795	84,154,795
Due to / placements with other banks and financial institutions	10,966,895	6,243,231
Financial assets sold under repurchase agreements	389,633	-
	1,052,884,293	1,279,794,495

(All amounts expressed in RMB unless otherwise stated)

29 BONDS ISSUED

	31 December 2014	31 December 2013
RMB financial bonds	2,001,569,222	1,975,960,214

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.

30 OTHER LIABLITIES

	31 December 2014	31 December 2013
Accrued expenses	152,987,568	99,817,754
Payable to overseas related parties (Note 49(e)(3)(iv))	171,426,769	87,192,617
Settlements payable	162,883,320	84,577,323
Unearned commission income	32,832,944	9,870,954
Others	10,803,041	45,267,700
	530,933,642	326,726,348

31 PAID-IN CAPITAL

	31 December 2014	31 December 2013
Registered and fully paid by DBS Bank	6,300,000,000	6,300,000,000

The registered and paid-in capital is RMB 6.3 billion as of 31 December 2014, which has been verified by Ernst&Young Hua Ming CPAs Company Limited and PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

(All amounts expressed in RMB unless otherwise stated)

32 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.

	31 December 2013	31 December 2014
Transfer of capital surplus recognised under the previous accounting system	22,571,343	22,571,343

	31 December 2012	31 December 2013
Transfer of capital surplus recognised under the previous accounting system	22,571,343	22,571,343

33 SURPLUS RESERVE

Reserve Fund	**31 December 2014**	**31 December 2013**
At beginning of year	184,048,901	159,943,560
Current year addition	35,257,207	24,105,341
At end of year	219,306,108	184,048,901

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.

(All amounts expressed in RMB unless otherwise stated)

34 GENERAL RISK RESERVE

	31 December 2014	31 December 2013
At beginning of year	805,900,000	587,500,000
Current year addition	66,800,000	218,400,000
At end of year	872,700,000	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 27 January 2015, the directors approved the appropriation to the Bank's general risk reserve of RMB 72.5 million, in accordance with Circular Caijin No.20 issued in 2012.

35 UNDISTRIBUTED PROFITS

On 27 January 2015, the directors approved the appropriation to the Bank's general risk reserve amounting to RMB 72.5 million in accordance with Circular Caijin No.20 issued in 2012. The general risk reserve after this appropriation amounts to RMB 945.2 million.

(All amounts expressed in RMB unless otherwise stated)

36 NET INTEREST INCOME

	2014	2013
Interest income:		
Loans and advances	3,195,231,802	2,602,566,232
Due from other banks and financial institutions	770,223,735	910,118,187
Deposits with the central bank	198,792,458	202,463,108
Trading securities	317,390,237	189,013,944
Investment securities – available- for-sale	80,952,437	118,959,746
Financial assets purchased under resale agreements	142,204,258	134,161,174
Others	907,800	-
	4,705,702,727	4,157,282,391
Interest expense:		
Due to other banks and financial institutions	(142,268,105)	(73,378,038)
Due to customers*	(2,395,366,350)	(2,483,481,373)
Bonds issued	(96,661,036)	(94,936,807)
Financial assets sold under repurchase agreements	(55,775,220)	(52,472,997)
Others	(5,412,072)	-
	(2,695,482,783)	(2,704,269,215)
Net interest income	2,010,219,944	1,453,013,176
Comprising		
Interest income for financial assets at fair value through profit or loss	541,454,732	442,134,864
Interest income for financial assets not at fair value through profit or loss	4,164,247,995	3,715,147,527
Interest expense for financial liabilities at fair value through profit or loss	(60,381,097)	(29,512,298)
Interest expense for financial liabilities not at fair value through profit or loss	(2,635,101,686)	(2,674,756,917)
	2,010,219,944	1,453,013,176

*See note 25 with respect to SIPs (Structured Investment Products).

(All amounts expressed in RMB unless otherwise stated)

37 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Settlement and clearing fees	275,918,010	231,728,180
Credit related fees and commissions	125,099,115	137,808,854
Others	64,884,052	47,726,703
	465,901,177	417,263,737
Fee and commission expense		
Settlement and clearing fees, brokerage expenses	(53,450,427)	(35,127,790)
Net fee and commission income	412,450,750	382,135,947

38 INVESTMENT GAINS

	2014	2013
Financial assets purchased under resale/repurchase agreements	12,335,849	69,805,655
Trading assets	116,743,869	(24,400,270)
Investment securities –available-for-sale	633,185	-
	129,712,903	45,405,385

39 FAIR VALUE (LOSSES)/GAINS

	2014	2013
Net unrealized (losses)/gains on financial assets purchased under resale/repurchase agreements	(17,872,215)	11,882,521
Net unrealized (losses)/gains on trading assets	(12,423,406)	5,270,112
Net unrealized (losses)/gains on derivative instruments	(12,335,849)	378,139
	(42,631,470)	17,530,772

40 NET GAINS FROM FOREIGN EXCHANGE AND DERIVATIVE TRANSACTIONS

	2014	2013
Net gains from foreign exchange and derivatives transactions	449,450,294	230,778,320

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

(All amounts expressed in RMB unless otherwise stated)

41 GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and bonus	764,824,593	648,639,857
Social insurance and other welfare benefits	197,657,914	164,997,932
Share-based compensation plan	19,374,825	14,252,282
Telecommunications and computers	218,329,363	182,566,424
Rental and utilities	189,058,793	171,805,681
Depreciation and amortization	47,253,872	47,747,058
Travelling expenses	26,531,424	22,728,264
Business entertainment expenses	9,731,664	11,623,720
Staff training expenses	5,731,404	5,461,793
Others	149,445,593	143,047,681
	1,627,939,445	1,412,870,692

42 ASSET IMPAIRMENT LOSSES

	2014	2013
Impairment losses on loans and advances (Note 16(5))	615,132,422	218,660,565
Recovery of loans previously written-off	(20,469,867)	(33,309,186)
Impairment losses on other assets	21,223,346	-
	615,885,901	185,351,379

43 INCOME TAX

	2014	2013
Current income tax	252,653,268	93,579,055
Deferred income tax (Note 20)	(137,505,914)	(9,847,474)
	115,147,354	83,731,581

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

	2014	2013
Profit before income tax	467,719,424	324,784,993
Income tax calculated at 25% (2013: 25%)	116,929,856	81,196,248
Annual tax filing differences	(1,782,502)	(370,029)
Net effect of expenses not deductible for tax purposes	-	2,905,362
	115,147,354	83,731,581

(All amounts expressed in RMB unless otherwise stated)

44 OTHER COMPREHENSIVE INCOME

(1) Other comprehensive income, its impact on income tax and the status of reclassifying to profit or loss

	2014		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will be reclassified subsequently to profit or loss			
Gains or losses arising from changes in fair value of available-for-sale financial assets	11,505,273	2,876,318	8,628,955
Less: Reclassification of other comprehensive income to profit or loss	(10,677,089)	(2,669,272)	(8,007,817)
Total other comprehensive income	22,182,362	5,545,590	16,636,772

	2013		
	Amount before tax	Income tax	Net after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss			
Gains or losses arising from changes in fair value of available-for-sale financial assets	(14,660,936)	(3,665,234)	(10,995,702)
Less: Reclassification of other comprehensive income to profit or loss	(3,562,250)	(890,563)	(2,671,687)
Total other comprehensive income	(11,098,686)	(2,774,671)	(8,324,015)

(2) Reconciliation of other comprehensive income

	Gains or losses arising from changes in fair value of available-for-sale financial assets	Total other comprehensive income
31 December 2012	8,924,273	8,924,273
Movements for the year ended 31 December 2013	8,324,015	8,324,015
31 December 2013	17,248,288	17,248,288
Movements for the year ended 31 December 2014	(16,636,772)	(16,636,772)
31 December 2014	611,516	611,516

(All amounts expressed in RMB unless otherwise stated)

45 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:

	2014	2013
Cash (Note 9)	56,417,839	57,328,434
Balances with the PBOC other than restricted reserve deposits (Note 9)	3,326,603,357	3,267,577,444
Deposits with other banks with original terms less than three months from acquisition date	6,408,957,504	6,001,985,707
Placements with financial institutions with original terms less than three months from acquisition date	3,217,610,000	3,135,096,851
	13,009,588,700	12,461,988,436

(2) Cash flows from operating activities

	Notes	2014	2013
Net profit		352,572,070	241,053,412
Adjusted by:			
Impairment charge for asset losses	42	636,355,768	218,660,565
Depreciation and amortization	41	47,253,872	47,747,058
Interest income for investment securities - available-for-sale		(80,952,437)	(118,959,746)
Losses on disposal of fixed assets and other long-term assets		8,897,721	52,154
Interest expenses of bonds issued		96,661,036	94,936,807
Fair value losses/(gains)	39	42,631,470	(17,530,772)
Deferred income tax assets	43	(137,505,914)	(9,847,474)
Increase in operating receivables		(1,383,591,393)	(2,525,813,741)
Increase /(Decrease) in operating payables		2,350,686,706	(4,057,549,611)
Net cash provided from/(used in) operating activities		1,933,008,899	(6,127,251,348)

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

	2014	2013
Cash and cash equivalents at end of year	13,009,588,700	12,461,988,436
Less: cash and cash equivalents at beginning of year	12,461,988,436	15,760,735,619
Net increase/(decrease) in cash and cash equivalents	547,600,264	(3,298,747,183)

(All amounts expressed in RMB unless otherwise stated)

46 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Off-balance sheet items

	31 December 2014	31 December 2013
Letters of credit issued	24,758,826,200	28,184,263,789
Standby letter of credit	9,265,044,609	5,288,506,177
Letters of guarantee issued	1,456,592,403	2,298,840,037
Irrevocable loan commitment	1,914,115,400	1,167,745,235
Bank acceptances	1,845,711,700	1,272,656,919
Accepted letters of credit	9,709,888	202,641,982
	39,250,000,200	38,414,654,139

(2) Operating lease commitments

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

	31 December 2014	31 December 2013
Within 1 year	179,341,483	148,901,055
Over 1 year less than 2 years	135,197,911	78,462,409
Over 2 year less than 3 years	106,843,038	51,150,811
Over 3 years	53,525,751	30,049,008
	474,908,183	308,563,283

(3) Legal proceedings

At 31 December 2014, there was no significant legal proceeding against the Bank (31 December 2013: nil).

(4) Capital commitments

As at 31 December 2014, the Bank has no significant capital commitments which require separate disclosure (31 December 2014: nil).

47 SUBSEQUENT EVENTS

At 30 January 2015, there were no subsequent events after the balance sheet date which requires additional disclosure.

(All amounts expressed in RMB unless otherwise stated)

48 SEGMENT INFORMATION

For the year ended 31 December 2014	Head office	Shanghai	Beijing	Shenzhen	Guangzhou	Tianjin	Others	Elimination	Total
Interest income	485,276,778	9,330,076,879	2,918,617,969	2,177,747,963	1,328,489,692	659,406,583	2,052,244,602	(14,246,157,739)	4,705,702,727
Interest expense	(688,927,121)	(8,168,618,569)	(2,582,441,446)	(1,950,419,393)	(1,181,077,231)	(557,001,602)	(1,813,155,160)	14,246,157,739	(2,695,482,783)
Net interest income	(203,650,343)	1,161,458,310	336,176,523	227,328,570	147,412,461	102,404,981	239,089,442	-	2,010,219,944
Fee and commission income	-	188,965,568	100,337,888	58,828,281	29,989,118	24,636,527	63,143,795	-	465,901,177
Fee and commission expenses	(1,236)	(52,481,249)	(227,812)	(345,801)	(94,404)	(62,424)	(237,501)	-	(53,450,427)
Net fee and commission income	(1,236)	136,484,319	100,110,076	58,482,480	29,894,714	24,574,103	62,906,294	-	412,450,750
Other income	4,359,301	354,015,041	59,419,476	52,723,428	24,220,730	21,112,845	20,769,991	-	536,620,812
Operating expenses	(208,891,767)	(1,325,694,158)	(365,434,237)	(230,478,758)	(123,700,627)	(66,695,112)	(176,106,607)	-	(2,497,001,266)
Non-operating income/(losses)	4,006,559	(423,936)	(157,206)	(359,987)	(256,309)	100,111	2,519,952	-	5,429,184
Total profit/(loss) before tax	(404,177,486)	325,839,576	130,114,632	107,695,733	77,570,969	81,496,928	149,179,072	-	467,719,424
Loans and advances, net	20,000,000	24,297,065,072	8,748,514,546	4,765,460,795	3,291,387,925	3,053,818,382	7,135,994,248	-	51,312,240,968
Total assets	12,812,874,706	54,770,059,497	12,478,848,534	10,594,698,788	5,764,541,607	3,136,743,682	13,031,377,931	(14,535,178,551)	98,053,966,194
Deposits due to customers	(4,465,807)	(33,160,413,096)	(11,258,959,442)	(9,441,072,888)	(5,172,642,284)	(728,551,311)	(8,674,192,634)	-	(68,440,297,462)
Total liabilities	(9,502,369,831)	(52,723,401,638)	(11,624,166,761)	(9,732,484,428)	(5,364,909,220)	(2,848,168,170)	(12,278,623,796)	14,535,178,551	(89,538,945,293)
Impairment charge for credit losses	1,223,346	356,063,102	134,369,628	52,231,517	18,041,866	23,246,268	30,710,174	-	615,885,901
Depreciation and amortization	1,145,683	31,483,419	5,218,126	303,912	2,820,694	285,352	5,996,686	-	47,253,872
Capital expenditure	1,669,117	33,170,205	20,750,313	1,480,327	132,212	147,590	406,579	-	57,756,343

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

48 SEGMENT INFORMATION(continued)

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	(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
Deposits 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

(All amounts expressed in RMB unless otherwise stated)

48 SEGMENT INFORMATION(continued)

Geographical Information

The Bank's revenue from external customers is mainly from mainland China for 2014 and 2013. As at 31 December 2014 and 2013, all non-current assets of the Bank are located in mainland China.

49 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 22,096 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 2013	Change	31 December 2014
DBS Bank Ltd.	SGD 17,096 Million	SGD 5,000 Million	SGD 22,096 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 2013		Change		31 December 2014	
	Amount	%	Amount	%	Amount	%
DBS Bank Ltd.	RMB 6.3 Billion	100	-	-	RMB 6.3 Billion	100

(All amounts expressed in RMB unless otherwise stated)

49 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

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

(1) Related Entity

Names of related parties	Relationship with the Bank
DBS Bank (Hong Kong) Limited	Company controlled by the parent company
DBS Bank(Taiwan) Limited	Company controlled by the parent company
DBS Vickers (Hong Kong) Limited	Company controlled by the parent company
DBS Asia Capital Ltd	Company controlled by the parent company

(2) Related Person

The term key management refer to people who have the power and responsibility to directly or indirectly plan, direct or control the business of our group, including but not limited to directors and senior management.

(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

	2014	2013
DBS Bank Ltd.	272,321	265,449
DBS Bank (Hong Kong)Limited	12,972	-
	285,293	265,449

(ii) Interest expense

	2014	2013
DBS Bank Ltd.	33,898,234	33,433,196
DBS Bank (Hong Kong)Limited	623,834	687,267
DBS Bank(Taiwan) Limited	163,875	25,302
	34,685,943	34,145,765

(All amounts expressed in RMB unless otherwise stated)

49 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions (continued)

(2) Significant related party transactions (continued)

(iii) Service charge

	2014	2013
DBS Bank Ltd.	77,443,270	72,222,880
DBS Bank (Hong Kong)Limited	8,708,124	10,647,607
	86,151,394	82,870,487

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

(3) Balances with related parties

(i)Due from other financial institution

	31 December 2014	31 December 2013
DBS Bank Ltd.	1,227,916,753	639,602,493
DBS Bank (Hong Kong) Limited	143,814,722	109,294,144
	1,371,731,475	748,896,637

(ii)Interest receivable

	31 December 2014	31 December 2013
DBS Bank Ltd.	3,875	1,016

(iii)Other receivables

	31 December 2014	31 December 2013
DBS Bank Ltd.	36,295,384	25,679,002
DBS Bank (Hong Kong)Limited	-	2,817,018
	36,295,384	28,496,020

(iv) Deposits / placements from

	31 December 2014	31 December 2013
DBS Bank Ltd.	8,388,134,789	6,564,088,438
DBS Bank (Hong Kong) Limited	7,124,302	7,765,823
DBS Vickers (Hong Kong) Limited	53,780	-
DBS Asia Capital Ltd	302,664	-
DBS Bank (Taiwan) Limited	744,497	57,406,388
	8,396,360,032	6,629,260,649

(All amounts expressed in RMB unless otherwise stated)

49 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions(continued)

(3) Balances with related parties(continued)

(v) Interest payable

	31 December 2014	31 December 2013
DBS Bank Ltd.	8,470,736	33,433,196
DBS Bank (Hong Kong)Limited	27,414	687,267
DBS Bank(Taiwan) Limited	96	6,753
	8,498,246	34,127,216

(vi) Other payables

	31 December 2014	31 December 2013
DBS Bank Ltd.	168,355,489	81,672,519
DBS Bank (Hong Kong) Limited	3,071,280	5,520,098
	171,426,769	87,192,617

(vii) Derivative transactions

	31 December 2014	
	Notional amount	Fair value
DBS Bank Ltd.	42,059,222,745	(158,371,932)
DBS Bank (Hong Kong) Limited	19,043,031,909	(72,772,045)
	61,102,254,654	(231,143,977)

	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)

(All amounts expressed in RMB unless otherwise stated)

49 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(continued)

(e) Related party transactions(continued)

(3) Balances with related parties(continued)

(viii) Standby letter of credit

	31 December 2014	31 December 2013
DBS Bank Ltd.	6,434,025,017	4,196,375,732
DBS Bank (Hong Kong) Limited	1,036,706,231	920,003,645
DBS Bank(Taiwan) Limited	30,000,000	7,000,000
	7,500,731,248	5,123,379,378

(ix) Letters of gurantee issued

	31 December 2014	31 December 2013
DBS Bank Ltd.	222,878,307	374,405,000
DBS Bank (Hong Kong) Limited	8,444,220	46,489,222
	231,322,527	420,894,222

(f) Emoluments for directors, supervisors and senior management

The key management include directors, supervisors and senior management personnel.

	2014
Salary and welfare	38,028,811
Share incentive plan	18,753,634
	56,782,445

50 FINANCIAL RISK MANAGEMENT

50.1 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.

50.2 Credit risk

Credit risk arises out of the Bank's daily activities in various areas of business – lending to retail, corporate and institutional customers; trading activities such as foreign exchange, derivatives and debt securities; and settlement of transactions. Credit risk is one of the most significant measurable risks faced by the Bank.

Lending exposures are typically represented by the notional value or principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit, which represent undertakings 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 even though they are contingent in nature. Pre-settlement Credit Exposures (PCE) for trading and securities transactions is measured taking into account collateral and netting arrangements. Settlement risk is the risk of loss due to the counterparty's failure to perform its obligation after the Bank has performed its obligation under an exchange of cash or securities.

Credit Risk Management

The Bank's framework for credit risk management includes the followings:

A Policies

The Bank localized Group Core Credit Risk Policy, by taking account of the local laws, regulations. The Core Credit Risk Policy sets forth the principles by which the Group conducts its credit risk management and control activities. This policy, supplemented by a number of operational policies, ensures consistency in credit risk underwriting across the Bank.

50 FINANCIAL RISK MANAGEMENT(continued)

50.2 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.

(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.

50 FINANCIAL RISK MANAGEMENT(continued)

50.2 Credit risk (continued)

C 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.

D Other Risk Mitigants

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.

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT(continued)

50.2 Credit risk (continued)

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

	31 December 2014	31 December 2013
Deposits with other banks	6,808,957,502	8,041,985,706
Placements with financial institutions	9,869,974,765	12,869,481,043
Financial assets at fair value through profit or loss	6,404,708,433	3,587,372,816
Derivative assets	2,466,125,887	4,037,184,710
Financial assets purchased under resale agreements	2,018,231,539	2,857,612,839
Interest receivable	676,851,270	569,415,748
Loans and advances	51,312,240,968	48,080,976,406
Investment securities – available-for-sale	3,114,560,775	1,727,323,916
Other financial assets	308,281,496	115,632,956
Sub-total	82,979,932,635	81,886,986,140
Letters of credit issued	24,758,826,200	28,184,263,789
Standby letter of credit	9,265,044,609	5,288,506,177
Letters of guarantee issued	1,456,592,403	2,298,840,037
Irrevocable loan commitment	1,914,115,400	1,167,745,235
Bank acceptances	1,845,711,700	1,272,656,919
Letters of credit confirmation	9,709,888	202,641,982
Sub-total	39,250,000,200	38,414,654,139
Total	122,229,932,835	120,301,640,279

The above table represents a worse-case scenario of credit risk exposure to the Bank at 31 December 2014, 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, 62% of the total on-balance-sheet maximum exposure is derived from loans and advances to customers (31 December 2013: 59%).

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.2 Credit risk (continued)

F Placements with financial institutions

	31 December 2014	31 December 2013
Neither past due nor impaired	9,869,974,765	12,869,481,043
Less:allowance for impairment losses	-	-
Placements with financial institutions, net	9,869,974,765	12,869,481,043

G Loans and advances

	31 December 2014	31 December 2013
Neither past due nor impaired	51,283,117,028	47,981,268,324
Past due but not impaired	443,212,194	340,628,248
Impaired	828,176,507	454,412,556
Total	52,554,505,729	48,776,309,128
Less:allowance for impairment losses	(1,242,264,761)	(695,332,722)
Net	51,312,240,968	48,080,976,406

The total allowance for impairment of loans and advances amounted to RMB 1,242 million (31 December 2013: RMB 695 million), of which RMB 368 million (31 December 2013: RMB 248 million) represents the individually assessed impairment allowance and the remaining amount of RMB 873 million (31 December 2013: RMB 447 million) represents the collectively assessed impairment allowance.

(i) 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 2014			
Pass	45,255,857,754	6,000,808,985	51,256,666,739
Special mention	23,683,708	2,766,581	26,450,289
	45,279,541,462	6,003,575,566	51,283,117,028
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

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.2 Credit risk (continued)

G Loans and advances (continued)

(ii) 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 2014					
Corporate loans	97,278,808	59,098,519	69,915,562	11,790,076	238,082,965
Retail loans	163,537,171	26,984,982	14,607,076	-	205,129,229
Total	260,815,979	86,083,501	84,522,638	11,790,076	443,212,194
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

(iii) Loans and advances individually impaired

	31 December 2014	31 December 2013
Corporate loans	770,694,125	403,012,770
Retail loans	57,482,382	51,399,786
	828,176,507	454,412,556

(iv) 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 at 31 December 2014, there is no renegotiated loans held by the Bank. As of 31 December 2013, there was no renegotiated loan held by the Bank.

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.2 Credit risk (continued)

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

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

RMB Securities	Trading Assets	AFS Securities
31 December 2014		
Rated as AAA	1,481,804,967	182,373,962
Rated as AA+	683,558,634	-
Rated as AA	49,958,743	50,135,320
Rated as AA-	259,336,988	-
Unrated:		
PBOC notes	-	99,916,986
Bonds issued by policy banks	3,889,819,953	2,131,647,687
Treasury bonds	40,229,148	650,486,820
	6,404,708,433	3,114,560,775

	Trading assets	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

50 FINANCIAL RISK MANAGEMENT (continued)

50.3 Market risk

Market Risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, as well as their correlations and implied volatilities. The Bank's exposure to market risk is categorized into:

- Trading portfolios: Arising from positions taken for (i) market-making, (ii) client-facilitation and (iii) benefiting from market opportunities.

- Banking portfolios: Arising from (i) positions taken to manage the interest rate risk of the Bank's retail and commercial banking assets and liabilities; (ii) structural foreign exchange risk arising mainly from the Bank's USD capital and accrual interest which is denominated in currencies other than CNY.

A Market Risk Management

China BRMC establishes the Bank's risk appetite and framework for market risk and China MLRC serves 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 approach to market risk management is formulated on the following building blocks:

Policies

The Market Risk Framework sets out overall approach towards market risk management. The Core Market Risk Policy (CMRP) establishes the base standards for market risk management within the bank. The Policy Implementation Guidance and Requirements (PIGR) complements the CMRP and set out guidance and requirements with more details for specific subject matters. Both CMRP and PIGR facilitate the identification, measurement, control, monitoring and reporting of market risk in a consistent manner within the bank. The Market Risk Stress Test Framework sets out the overall approach, standards and controls governing the performance of market risk stress testing.

Risk Methodologies

Value-at-Risk (VaR) is a method that computes the potential losses on risk positions as a result of movements in market rates and prices, over a specified time horizon and to a given level of confidence. The Bank's VaR model is based on historical simulation with a one-day holding period and a 95% level of confidence. Tail VaR (TVaR), which is an average of the potential losses beyond the given 95% level of confidence, is used by the bank to monitor and limit market risk exposures. TVaR is supplemented by risk control metrics such as sensitivities to risk factors and loss triggers for management action.

The Bank conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the revenues which actually arise on those positions on the following business day. The backtesting revenues exclude fees and commissions, and revenues from intra-day trading. For backtesting, VaR at the 99% level of confidence and over a one-day holding period is used.

50 FINANCIAL RISK MANAGEMENT (continued)

50.3 Market risk (continued)

A Market Risk Management (continued)

VaR models such as historical simulation VaR permit the estimation of the aggregate portfolio market risk potential loss due to a range of market risk factors and instruments. VaR models have limitations which include but are not limited to: (i) past changes in market risk factors may not provide accurate predictions of the future market movements and (ii) may understate the risk arising from severe market risk related events.

To monitor the vulnerability to unexpected but plausible extreme market risk related events, the Bank has implemented an extensive stress testing policy for market risk where regular and multiple stress tests are run covering trading and banking portfolios through a combination of historical and hypothetical scenarios depicting risk factors movement.

TVaR is the key risk metric used to manage the Bank's assets and liabilities. The bank manages banking book interest rate risk arising from mismatches in the interest rate profile of assets and liabilities, including basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality.

Processes, Systems and Reports

Robust internal control processes and systems are designed and implemented to support the Bank's approach for market risk management. Additionally, regular reviews of these control processes are conducted, which provide senior management with objective and timely assessments of the control processes' appropriateness and effectiveness. Regular review on market risk system is conducted at Group level.

The day-to-day market risk monitoring, control and analysis is managed by the RMG Market and Liquidity Risk unit - an independent market risk management function that reports to the CRO.

B Market Risk in 2014

Trading Portfolio

The following table shows for the Bank's trading portfolio, the period-end, average, high and low diversified TVaR.

The following table is computed in Singapore dollars and translated into Renminbi using PBOC's respective year-end rates for presentation purpose.

RMB in million	As at 31 December 2014	1 January 2014 to 31 December 2014 Average	Highest	Lowest
Total	11.02	6.68	11.19	2.81

RMB in million	As at 31 December 2013	1 January 2013 to 31 December 2013 Average	Highest	Lowest
Total	7.93	7.59	10.59	4.28

The key market risk drivers of Trading portfolios are RMB IR position and USD/RMB FX positions.

50 FINANCIAL RISK MANAGEMENT (continued)

50.3 Market Risk (continued)

B Market Risk in 2014 (continued)

The estimated MtM PL for interest rate position as at 31 December 2014, assuming a 50 basis point increase in general interest rates was a decrease of RMB 18.87 million.

The estimated MtM PL for foreign exchange position as of 31 December 2014, assuming USD appreciation by 5% against RMB was an increase of RMB 2.17 million.

Banking Portfolio

The following tables show for the Bank's banking portfolio, the period-end, average, high and low diversified TVaR.

The following tables are computed in Singapore dollars and translated into Renminbi using PBOC's respective year-end rates for presentation purpose.

Table 1 Treasury Banking

RMB in million	As at 31 December 2014	1 January 2014 to 31 December 2014 Average	Highest	Lowest
Total	7.01	2.35	7.01	0.84

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

Table 2 Central Operations

RMB in million	As at 12/31/2014	1 January 2014 to 31 December 2014 Average	Highest	Lowest
Total	21.96	23.87	33.79	13.53

RMB in million	As at 12/31/2013	1 January 2013 to 31 December 2013 Average	Highest	Lowest
Total	15.49	23.23	36.57	14.16

The key market risk drivers of Banking portfolios are USD/RMB FX position and RMB interest rate positions. The economic value impact of changes in foreign exchange and interest rates is simulated for the Banking portfolio.

The estimated value volatility for interest rate position as at 31 December 2014, assuming a 50 basis point increase in general interest rates was an increase of RMB 56.56 million.

The estimated value volatility for foreign exchange position as of 31 December 2014, assuming USD appreciation by 5% against RMB was an increase of Rmb 69.11 million.

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 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)

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 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 2014						
Financial Liabilities						
Due to other banks and financial institutions	2,080,370,965	2,090,162	11,274,036	1,502,919,596	-	3,596,654,759
Placements from other banks	5,928,577,174	1,337,037,377	739,895,781	1,252,684,966	-	9,258,195,298
Due to customers	22,436,381,640	13,197,243,404	29,529,080,854	4,214,632,333	-	69,377,338,231
Financial assets sold under repurchase agreements	2,250,464,329	-	-	-	-	2,250,464,329
Debentures payable	-	-	512,037,671	1,570,896,575	-	2,082,934,246
Others	334,310,089	-	-	-	-	334,310,089
Total financial liabilities	33,030,104,197	14,536,370,943	30,792,288,342	8,541,133,470	-	86,899,896,952
Financial Assets						
Cash and deposits with the central bank	14,641,751,532	-	-	-	-	14,641,751,532
Deposits with other banks	1,783,478,891	4,693,116,000	409,403,333	-	-	6,885,998,224
Placements with financial institutions	2,232,763,111	1,489,559,324	4,366,445,571	2,560,086,628	-	10,648,854,634
Trading assets	660,879,393	738,441,892	4,218,336,334	1,056,817,393	42,960,000	6,717,435,012
Financial assets purchased under resale agreements	-	1,058,258,452	1,011,572,979	-	-	2,069,831,431
Loans and advances	6,842,604,078	11,431,810,896	19,530,671,933	14,148,770,318	7,571,930,549	59,525,787,774
Investment securities – available-for-sale	225,145,940	335,374,000	869,887,540	1,929,114,595	41,564,000	3,401,086,075
Others	142,096,287	-	-	84,893,383	-	226,989,670
Total financial assets	26,528,719,232	19,746,560,564	30,406,317,690	19,779,682,317	7,656,454,549	104,117,734,352
Net cash flows	(6,501,384,965)	5,210,189,621	(385,970,652)	11,238,548,847	7,656,454,549	17,217,837,400

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 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 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)

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 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 2014						
Interest rate derivatives	(2,607,565)	11,107,654	(7,112,523)	29,180,933	10,443,693	41,012,192
31 December 2013						
Interest rate derivatives	(1,180,778)	7,997,762	(40,109,652)	40,687,599	9,642,404	17,037,335

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 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, commodity derivatives.

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 2014						
Foreign exchange derivatives						
– Outflow	109,518,162,606	126,756,546,742	161,713,403,748	19,913,084,257	-	417,901,197,353
– Inflow	109,499,183,621	126,720,160,346	161,782,572,882	19,919,457,107	-	417,921,373,956
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

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.4 Liquidity risk (continued)

C Off-balance sheet items

	No later than 1 year	1-5 years	Over 5 years	Total
31 December 2014				
Letters of credit issued	24,758,826,200	-	-	24,758,826,200
Letters of guarantee issued	962,730,347	302,509,081	191,352,975	1,456,592,403
Irrevocable loan commitment	83,634,259	1,605,094,926	225,386,215	1,914,115,400
Bank acceptances	1,845,711,700	-	-	1,845,711,700
Standby letter of credit	8,250,891,599	1,014,153,010	-	9,265,044,609
Letters of credit confirmation	9,709,888	-	-	9,709,888
Operating lease commitments	179,341,483	295,211,415	355,285	474,908,183
Total	36,090,845,476	3,216,968,432	417,094,475	39,724,908,383
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

50.5 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.

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.5 Fair value hierarchy (continued)

(a) Assets and liabilities continuously measured at fair value

31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Trading securities	-	6,404,708,433	-	6,404,708,433
- Derivatives assets	-	2,466,125,887	-	2,466,125,887
- Financial assets purchased under resale agreements	-	2,018,231,539	-	2,018,231,539
Available–for-sale investments	-	3,114,560,775	-	3,114,560,775
Total Assets	-	14,003,626,634	-	14,003,626,634
Financial liabilities at fair value through profit or loss				
- Derivative liabilities	-	(2,464,821,531)	-	(2,464,821,531)
- Financial assets sold under repurchase agreements	-	(2,249,084,549)	-	(2,249,084,549)
Financial liabilities designated as fair value through profit or loss - SIPs	-	(85,315,459)	-	(85,315,459)
Total Liabilities	-	(4,799,221,539)	-	(4,799,221,539)

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
- Financial assets purchased under resale agreements	-	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)

50 FINANCIAL RISK MANAGEMENT (continued)

50.5 Fair value hierarchy(continued)

(b) Assets and liabilities not measured at fair value but disclose their fair value

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:

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, belonging to Tier 2.

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.

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.

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. 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. There is no transfer between Level 1 and Level 2 for current year.

(All amounts expressed in RMB unless otherwise stated)

50 FINANCIAL RISK MANAGEMENT (continued)

50.6 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 Capital Adequacy Ratio 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 2014	31 December 2013
Core Tier 1 capital adequacy ratio	11.07%	12.68%
Tier 1 capital adequacy ratio	11.07%	12.68%
Total capital adequacy ratio	11.61%	13.06%
Core Tier 1 capital	8,515,020,901	8,145,812,059
Regulatory Deductions for Core Tier 1 capital	-	-
Net core Tier 1 capital	8,515,020,901	8,145,812,059
Other Tier 1 capital	-	-
Net Tier 1 capital	8,515,020,901	8,145,812,059
Tier 2 capital	414,088,361	240,920,166
Total regulatory capital	8,929,109,262	8,386,732,225
Total risk-weighted assets	76,898,526,725	64,232,861,100