中国农业银行(英国)
AGRICULTURAL BANK OF CHINA (UK)

Company Registration No. 07387225

Agricultural Bank of China (UK) Limited

Annual Report and Financial Statements
For the year ended 31 December 2014

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Agricultural Bank of China (UK) Limited
Registered in England and Wales. No. 07387225
Registered Office 7th Floor, 1 Bartholomew Lane, London EC2N 2AXI

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Officers and Professional Advisers

Directors	Meiyu Sun Ruoming Hua William David Reid Swanney Brian David Stevenson Rui Shan Li (Chief Executive Officer) Wei Fang
Secretary	Taylor Wessing Secretaries Limited
Registered Office	7th Floor, 1 Bartholomew Lane London EC2N 2AX
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside SE1 2RT London

Registered in England and Wales No. 07387225

Strategic Report

The Directors present their Strategic Report on Agricultural Bank of China (UK) Limited ("the Bank") for the year ended 31 December 2014

Business review

The Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

During the year, the Financial Market and Treasury Department has continued to focus upon efficient liquidity management and the funding requirements of the Bank's activities whilst the Corporate Banking Department has continued to focus on servicing customers' commercial banking needs in relation to business flows between Europe and China, in particular in the area of Trade Finance

Review of the year

Agricultural Bank of China (UK) Limited offers a range of wholesale banking services, including corporate deposits, syndicated and bilateral loans, trade finance, international settlement, foreign exchange settlement, foreign exchange and derivatives trading etc At the end of 2014, the Bank had total assets of US$1,106 million (2013 US$930million), and total deposit funding of $967 million (2013 US$811million) The Bank achieved a net operating profit after tax of US$4,838k (2013 US$2,050k) during its financial year

Strategy and future development

The business philosophy of the Bank is to adopt a prudent approach to business, investing in high quality paper issued by, and lending to, well-known and highly respected corporate and financial institution entities with sound credit ratings Under this business approach, the Bank is seeking to establish a substantial portfolio of assets whilst researching the market place to enhance its fee earning strategies It particularly is looking to build relationships with UK businesses and investors wishing to trade with, and invest in, China and China-based entities It is also seeking to work with Chinese Companies who have invested in Europe and those that are seeking to invest or open operations in UK

The Bank aims to maintain alignment with the overall strategy of Agricultural Bank of China Limited ("the Parent Bank"), leveraging the Chinese market to expand its operations globally to serve better its customers across the Parent Bank Group, and to become one of the major platforms for the Group to implement its international development strategy

Principal risks and uncertainties

The major risks to the Bank through its business model are liquidity, credit, market and operational

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due They may arise from cash flow or maturity mismatches of assets and liabilities

Credit risk is the risk that counterparties will be unable to meet their obligations to the Bank, credit risk arises principally from lending but also from transactions involving on and off balance sheet instruments

Market risk is the risk that changes in the level of interest rates, foreign exchange rates or the price of securities and other financial contracts could have an adverse impact on profits

Operational risk includes the potential for computer system breakdown and the need for the rapid recovery of operational data or human failure/error

The Bank's risk management objectives and policies are set out in note 24 to these financial statements

Key performance indicators

The Bank's Key Performance Indicators are around monitoring the financial performance of the Bank against financial targets set at the beginning of the financial year by the Board The financial targets monitored include the main income streams of the bank by income type and business department, business expenses and net profit before and after tax

Approved by the Board of Directors and signed on behalf of the Board

Rui Shan Li
Chief Executive Officer
Date 30 March 2015

Directors' Report

The dırectors present theır report and the audıted financıal statements for the year ended 31 December 2014

Principal activities

Agrıcultural Bank of Chına (UK) Lımıted ("the Bank") ıs a wholly owned subsıdıary company of Agrıcultural Bank of Chına Lımıted ("the Parent Bank") whıch ıs domıcıled ın Beıjıng, Chına The prıncıpal actıvıty of the Bank ıs bankıng

Review of the business

The revıew of the year and future developments set out ın the Strategıc Report on pages 2 – 3

Results

The Bank achıeved a profit after tax for the year to 31 December 2014 of US$4,838k (2013 US$2,050k), as shown ın the Statement of Comprehensıve Income The return on assets was 0 48% (2013 0 29%)

Principal risks and uncertainties

The major rısks to the Bank are set out ın the Strategıc Report and ın note 24 to these financıal statements

Pıllar III dısclosures are ıncluded on the Bank's websıte, www http //www uk abchına com

Going concern

The Board of Dırectors has conducted a revıew of the Bank's abılıty to contınue as a goıng concern and ıs satısfied that the Bank has the resources to contınue ın busıness for the foreseeable future The Board has assessed that the Bank's capıtal resources wıll exceed the PRA guıdelınes and wıll be adequate for planned busıness actıvıtıes Havıng conducted stress testıng as part of the Bank's Indıvıdual Lıquıdıty Adequacy Assessment ('ILAA'), the Board ıs satısfied that the Bank wıll have adequate lıquıdıty to fund expected lendıng actıvıtıes and to satısfy regulatory requırements for the foreseeable future In makıng thıs assessment the Dırectors consıdered the ınter-company fundıng from the parent company whıch ıs repayable on 180 days' notıce and ıs satısfied that thıs fundıng wıll contınue to be avaılable as requıred The Board ıs not aware of any materıal uncertaıntıes that may cast sıgnıficant doubt upon the Bank's abılıty to contınue as a goıng concern

Directors and secretary

The present dırectors and secretary are lısted on page 1

The dırectors of the Bank who were ın office durıng the year and up to the date of sıgnıng the financıal statements were

Directors
Meıyu Sun
Ruomıng Hua
Wıllıam Davıd Reıd Swanney
Brıan Davıd Stevenson
Ruı Shan Lı
Weı Fang

Secretary

Taylor Wessing Secretaries Limited

Statement of directors' responsibilities

The directors are responsible for preparing Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to the auditors

Each of the directors at the date of approval of this report confirms that

- so far as the directors are aware, there is no relevant audit information of which the Bank's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

Independent Auditors

PricewaterhouseCoopers LLP has expressed their willingness to continue in office as auditor

Approved by the Board of Directors and signed on behalf of the Board

Rui Shan Li
Chief Executive Officer
Date 30 March 2015

Independent Auditors' Report to the Members of Agricultural Bank of China (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Agricultural Bank of China (UK) Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

Agricultural Bank of China (UK) Limited's financial statements comprise

- the Statement of Financial Position as at 31 December 2014,
- the Statement of Comprehensive Income for the year then ended,
- the Statement of Cash Flow for the year then ended,
- the Statement of Changes in Equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Independent Auditors' Report to the Members of Agricultural Bank of China (UK) Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

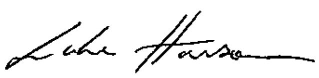
We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 April 2015

Statement of Comprehensive Income
For the year ended 31 December 2014

	NOTE	2014 US$	2013 US$
Continuing operations			
Interest income		21,587,561	13,713,109
Interest expense		(7,779,854)	(3,276,298)
Net interest income	5	13,807,707	10,436,811
Fee and commission income	6	2,005,915	1,499,740
Net unrealised gain on financial instruments designated at fair value through profit or loss		7,694,609	2,121,908
Other operating income		286,821	143,745
Net gain on investment securities		952	5,525
Exchange loss		(7,208,144)	(409,403)
Operating income		16,587,860	13,798,326
Operating expenses	7	(10,350,661)	(11,260,156)
Profit before tax		6,237,199	2,538,170
Tax expenses	10	(1,398,901)	(487,915)
PROFIT AFTER TAX	22	4,838,298	2,050,255
Other comprehensive income			
Unrealised (loss)/gains on available-for-sale Financial instruments		(80,860)	66,589
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,757,438	2,116,844

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
As at 31 December 2014

	NOTE	2014 US$	2013 US$
ASSETS			
Cash and cash equivalents	11	39,485,721	15,544,096
Placements with banks	12	150,533,358	156,483,358
Derivative financial assets	13	36,649,420	15,084,215
Loans and advances to banks	14	334,327,993	263,810,635
Loans and advances to customers	15	499,380 324	414,702,612
Available-for-sale financial instruments	16	38,245,576	58,237,278
Property, plant and equipment	17	616,530	1,195,630
Other assets	18	6,737,451	4,571,498
TOTAL ASSETS		1,105,976,373	929,629,322
LIABILITIES			
Deposits from banks	19	939,924,753	795,841,593
Deposits from other financial institutions and customers		26,965,021	15,000,957
Derivative financial liabilities	13	27,370,193	13,499,598
Other liabilities	20	6,021,980	4,350,186
TOTAL LIABILITIES		1,000,281,947	828,692,334
SHAREHOLDER'S EQUITY			
Share capital	21	100,000,002	100,000,002
Retained earnings	22	5,693,378	855,080
Available-for-sale reserve		1,046	81,906
TOTAL SHAREHOLDER'S EQUITY		105,694,426	100,936,988
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,105,976,373	929,629,322

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 30 March 2015
Signed on behalf of the Board of Directors

Rui Shan Li
Chief Executive Officer
Company No 07387225

Statement of Changes in Equity
For the year from 1 January 2014 to 31 December 2014

	NOTE	Share capital US$	Retained earnings US$	Available-for-sale reserve US$	Total US$
Balance at 1 January 2014		100,000,002	855,080	81,906	100,936,988
(i) Profit for the year from1 January to 31 December 2014	22	-	4,838,298	-	4,838,298
(ii)Unrealised loss on available-for-sale financial instruments for the year from 1 January to 31 December 2014		-	-	(80,860)	(80,860)
Subtotal of (i) to (ii)			4,838,298	(80,860)	4,757,438
Balance at 31 December 2014	22	100,000,002	5,693,378	1,046	105,694,426

For the year from 1 January 2013 to 31 December 2013

	NOTE	Share capital US$	Retained earnings US$	Available-for-sale reserve US$	Total US$
Restated balance at 1 January 2013		100,000,002	(1,195,175)	15,317	98,820,144
(i) Profit for the year from1 January to 31 December 2013	22	-	2,050,255	-	2,050,255
(ii)Unrealised gain on available-for-sale financial instruments for the year from 1 January to 31 December 2013		-	-	66,589	66,589
Subtotal of (i) to (ii)		-	2,050,255	66,589	2,116,84
Balance at 31 December 2013	22	100,000,002	855,080	81,906	100,936,988

The accompanying notes form an integral part of these financial statements

Statement of Cash Flow
For the year ended 31 December 2014

Operating activities	NOTE		2014 US$		2013 US$
Profit for the year before tax			6,237,199		2,538,170
Adjustments for:					
Net (gain) on financial instruments designated at fair value through profit or loss			(7,694,609)		(2,121,908)
Net (gain) on investment securities			(952)		(5,525)
Exchange (loss)			(7,208,144)		(409,403)
Depreciation of property and equipment			588,617		719,413
Interest income arising from investment securities			(158,202)		(171,346)
Operating cash flows before movements in working capital			(8,236,091)		549,401
Net decrease / (increase) in placement with banks		5,950,000		(116,483,358)	
Net (increase) / decrease in loans and advances to banks		(70,517,358)		7,955,293	
Net (increase) in loans and advances to customers		(84,677,712)		(276,269,079)	
Net increase in deposits from banks		144,083,160		405,841,593	
Net increase in deposits from other financial institutions and customer		11,964,064		14,192,607	
(Increase) / decrease in other operating assets		(2,165,953)		1,240,511	
Increase in other operating liabilities		1,396,435		1,423,727	
Net cash flows from operating activities before tax			6,032,636		37,901,294
Tax paid			(1,123,542)		-
Net cash flows (used in) /from operating activities			(3,326,997)		38,450,695
Cash flows from investing activities					
Cash received from disposal of investments		67,671,462		44,725,455	
Cash received from interest income arising from investments		158,202		171,345	
Cash (paid) for purchase of investments		(47,759,669)		(74,857,641)	
Cash (paid) for purchase tangible assets		(9,517)		(237,237)	
Net cash flows from /(used in) investing activities			20,060,478		(30,198,078)
Net cash flows after investing activities			16,733,481		8,252,617

Statement of Cash Flow (continued)
For the year ended 31 December 2014

	NOTE	2014 US$	2013 US$
Net cash flows after investing activities		16,733,481	8,252,617
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		16,733,481	8,252,617
Cash and cash equivalents at beginning of year		15,544,096	6,882,076
Effect of exchange rate changes on cash and cash equivalents		7,208,144	409,403
Cash and cash equivalents at end of year	11	39,485,721	15,544,096

The accompanying notes form an integral part of these financial statements

1. General Information

Agricultural Bank of China (UK) Limited is incorporated as a limited company in Great Britain and registered in England and Wales The address of the registered office is on page 1 The nature of the Bank's operations, its principal activities, and going concern expectations are set out in the Directors' Report

2. Adoption of new and revised Standards

Standards affecting the reported results and the financial position

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2014 but did not have a material impact on the company

IAS 32, 'Financial instruments Presentation' on offsetting financial assets and financial liabilities

IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13

IAS 39, 'Financial instruments Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting

Standards in issue but not yet effective

At the date of authorisation of these financial statements, a number of Standards and Interpretations had been issued but were not effective

Not all of them will apply to the Bank but those identified below may have a material impact on the financial statements in future periods

IFRS 9 (Financial Instruments) Expected to impact upon both the measurement and disclosures of Financial Instruments

IFRS 15 (Revenue from contracts with customers) Expected to impact upon both the measurement and disclosures of Revenue from contracts with customers

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations committee of the IASB (together "IFRS") as adopted by the European Union ("EU")

The financial statements are prepared on the historical cost convention, in compliance with the Companies Act 2006, except for the revaluation of certain financial instruments The principal accounting policies adopted are set out below

3 *Significant accounting policies (continued)*

These financial statements are expressed in United States Dollars (US$) which is the Bank's functional currency

Accounting year

The Bank has adopted the calendar year as its accounting year, i e from 1 January to 31 December

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future Thus, it continues to adopt the going concern basis of accounting in the preparation of the financial statements Further detail is contained in the Directors' Report on page 5

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes Specific recognition criteria for different nature of revenue are disclosed below

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the Statement of Comprehensive Income, using the effective interest method (see page 17)

Fees and commission income is recognised when the service is performed on an accruals basis

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

Tangible fixed assets and depreciation

Property, plant and equipment are shown at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses Depreciation of these assets is charged to operating expenses Depreciation is charged so as to write off the cost of these assets, less residual value, over their estimated useful lives, using the straight-line method

The following rates are used for the depreciation of each category of fixed assets

Leasehold improvements	5 years
Plant and equipment	3 – 5 years

The estimated net residual value of a fixed asset is the amount that the Bank has assessed that it would obtain from the disposal of the asset, after deducting the estimated costs of disposal

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Bank and the relevant cost can be measured reliably Other subsequent expenditure that fails to meet the capitalization criteria is charged to profit or loss when incurred

3 Significant accounting policies (continued)

The Bank reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied annually at year-end

When a fixed asset is sold or transferred, the Bank recognises the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period

Financial instruments

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument

Financial Assets

Financial assets are classified into the following specified categories 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables' The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Financial assets, with the exception of loans and receivables, are recognised and derecognised on a trade date where the purchase or sale is under a contract whose terms require delivery within a timeframe established by the asset's relevant market, and are, initially, measured at fair value, plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

Income is recognised on an effective interest basis for debt instruments

Financial assets at FVTPL

Assets classified as FVTPL are recognised initially and subsequently at fair value

Available for sale financial assets ("AFS")

Debt securities issued by governments and listed redeemable notes held by the Bank that are traded in an active market are classified as AFS and are stated at fair value Investments in unlisted shares that are not traded in an active market are classified as AFS financial assets and stated at fair value because the directors consider that fair value can be reliably measured Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss

3 Significant accounting policies (continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset Other foreign exchange gains and losses are recognised in other comprehensive income

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market Subsequent to initial recognition, loans and receivable including deposits with central banks, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, loans, advances to customers, and debt securities classified as receivables are carried at amortised cost using the effective interest rate method, less any impairment

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include

a. significant financial difficulty of the issuer or counterparty; or
b default or delinquency in interest or principal payments, or
c it becomes probable that the borrower will enter bankruptcy or financial re-organisation

When AFS financial assets become impaired, accumulated losses, due to decreases in fair value previously recognised directly in capital reserve, are reversed and charged to profit or loss for the current period The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortised, current fair value and impairment losses previously recognised in profit or loss

If, in a subsequent period, the carrying amount of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed The reversal of impairment losses of AFS financial instruments are recognised in statement of comprehensive income

Impairment losses incurred by the following are not reversed (1) investments in an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or (2) derivatives financial assets linked to, and settled by, delivery of such an unquoted equity instrument which cannot be reliably measured

Financial liabilities
Financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities

3. Significant accounting policies (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognised directly in profit or loss in the period in which they arise The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities

Derivatives
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period The resulting gain or loss is recognised in profit or loss immediately

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss

Other financial liabilities
Other financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all of the risks and rewards of ownership to another entity

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks, together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value

Current and deferred tax

The tax expense represents the sum of the tax currently payable and deferred tax

Current tax

The tax payable is based on taxable profit or loss for the year Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

3 Significant accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income

Operating leases

Operating lease rentals are charged to the Statement of Comprehensive Income over the lease period

Pensions

Payments to the Bank's defined contribution pension scheme are charged to the profit and loss account as they become payable Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currency

On initial recognition, foreign currency (currencies other than US Dollars) transactions are translated by applying the spot exchange rate at the dates of the transactions or an exchange rate that approximates the actual spot exchange rate at the dates of the transactions, which is calculated at average of daily exchange rate in the period

At the balance sheet date, foreign currency monetary items are translated to US Dollars using the spot exchange rate at that date Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in Statement of Comprehensive Income for the current period

Foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions, foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined Differences between the translated amount and the original amount of functional currency are accounted for as changes in fair value (including changes in foreign exchange rates) and included in profit or loss for the period or owners' equity

4 Critical accounting judgements and key sources of estimation uncertainty:

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an ongoing basis

Key accounting estimates are around valuation of derivative instruments and impairment assessments There were no impairments in the current year

5 Net interest income

	2014	2013
Interest income	US$	US$
Loans and advances to customers	20,608,611	13,097,683
Placement with banks	820,748	444,081
Available for sale financial instruments	158,202	171,345
	21,587,561	13,713,109
Interest expense		
Deposits from banks	(7,759,394)	(3,260,668)
Deposits from customers	(20,460)	(15,630)
	13,807,707	10,436,811

6 Fee and commission income

	2014	2013
	US$	US$
Credit related fees	2,092,822	1,495,117
Other income	10,185	4,623
Commission expenses	(97,092)	-
	2,005,915	1,499,740

7 Operating expenses

	2014 US$	2013 US$
Staff cost		
Wages and salaries (include Directors' emoluments)	5,457,671	6,524,096
Social security costs	608,953	900,325
Other pension costs	223,764	181,064
Other staff costs	303,828	161,907
	6,594,216	7,767,392
Other operating expenses		
Administration and general expenses	2,547,534	1,999,484
Operating leases	573,552	724,248
Depreciation	588,617	719,413
Auditors' remunerations (Note 9)	46,742	49,619
	10,350,661	11,260,156

The average number of employees for the year ended 31 December 2014 was 30 (2013 28)

8 Directors' emoluments

	2014 US$	2013 US$
Directors' emoluments included in wages and salaries (in note 7), above	1,124,301	1,561,730
Highest paid director	457,784	593,461

9 Auditors' remunerations

	2014 US$	2013 US$
Statutory audit of Bank's financial statements	46,742	49,619
Non audit services to Bank	-	-
	46,742	49,619

10 Tax expenses

a) Analysis of tax charge in the year

	2014 US$	2013 US$
Current year corporation tax	1,398,901	487,915
Total current year tax charge	1,398,901	487,915

b) Factors affecting tax charge for the year

	2014 US$	2013 US$
Profit on ordinary activities before tax	6,237,199	2,538,170
Tax at 21 5% (2013-23 25%)	1,340,998	590,125
Effects of		
Expenses not deductible for tax purpose	153,043	199,311
Capital allowances	(85,673)	(82,630)
Utilisation of carried forward losses	-	(218,891)
Other adjustments	(9,467)	-
Total tax charge for the year	1,398,901	487,915

There were no material deferred tax assets at 31 December 2014 or 2013.

11 Cash and cash equivalents

	2014 US$	2013 US$
Cash	507,904	55,578
Deposits with banks	38,977,817	15,488,518
	39,485,721	15,544,096

12 Placements with banks

	2014 US$	2013 US$
Non-UK banks	119,683,358	117,483,358
UK banks	30,850,000	39,000,000
	150,533,358	156,483,358

13 Derivative financial assets /(liabilities)

Exchange rate derivatives	2014 Fair Value		2013 Fair Value	
	Assets US$	Liabilities US$	Assets US$	Liabilities US$
Foreign currency forwards	21,930,929	(11,362,393)	8,710,957	(12,456,724)
Foreign currency swaps	14,718,491	(16,007,800)	6,373,258	(1,042,874)
Total derivatives financial assets /(liabilities)	36,649,420	(27,370,193)	15,084,215	(13,499,598)

14 Loans and advances to banks

	2014 US$	2013 US$
Loans to Parent Bank's branches (Note 26)	235,887,558	186,195,848
Trade finance with Non-UK banks	78,440,435	32,614,787
Syndicate loans to Non-UK banks	20,000,000	45,000,000
	334,327,993	263,810,635

15 Loans and advances to customers

	2014 US$	2013 US$
Corporate loans	423,228,026	324,324,897
Syndicate loans	69,610,795	75,634,509
Trade finance	6,541,503	14,743,206
	499,380,324	414,702,612

16 Available-for-sale financial instruments

	2014 US$	2013 US$
Debt Securities		
Bonds	28,039,690	48,005,569
Floating Rate Notes (FRNs)	10,205,886	10,231,709
	38,245,576	58,237,278

17 Property, plant and equipment

	Leasehold improvements US$	Plant, equipment US$	Total US$
Cost			
As at 1 January 2014	1,332,299	1,621,857	2,954,156
Additions	-	9,517	9,517
As at 31 December 2014	1,332,299	1,631,374	2,963,673
Accumulated depreciation			
As at 1 January 2014	724,451	1,034,075	1,758,526
Charge for the year	266,460	322,157	588,617
As at 31 December 2014	990,911	1,356,232	2,347,143
Net book value			
As at 31 December 2014	341,388	275,142	616,530
As at 31 December 2013	607,848	587,782	1,195,630

18 Other assets

	2014 US$	2013 US$
Other receivables	6,601,811	4,429,279
Prepayments	135,640	142,219
	6,737,451	4,571,498
Categorised by nature:		
Accrued interest receivable	5,372,515	3,321,668
Rental deposits	791,500	840,218
Other receivables	160,682	257,274
Prepayments	135,640	142,219
Other	277,114	10,119
	6,737,451	4,571,498

As at 31 December 2014, the Bank has non-current other assets of US$791,500 (2013 US$840,218)

19 Deposits from banks

	2014 US$	2013 US$
Deposit from parent company (Note 26)	604,481,866	531,637,828
Deposit from other banks	335,442,887	264,203,765
	939,924,753	795,841,593

20 Other liabilities

	2014 US$	2013 US$
Accrued interest payable	1,399,030	323,563
Accrued expenses	1,925,191	1,674,939
Other taxes and social security cost	825,351	583,844
Other liabilities	1,872,408	1,767,840
	6,021,980	4,350,186

As at 31 December 2014, the Bank has non-current other liabilities of US$39,863 (2013 US$ Nil)

21 Share capital

The Bank's authorized share capital is £1 divided into 1 share of £1 and US$100,000,000 divided into 100,000,000 shares of US$1

As at 31 December 2014 and 2013, the Bank had issued and fully paid-up share capital amounting to US$100,000,002 Both classes of shares rank pari passu

22 Retained earnings

	2014 US$	2013 US$
As at 1 January	855,080	(1,195,175)
Net profit	4,838,298	2,050,255
As at 31 December	5,693,378	855,080

23 Contingencies & Commitments

(a) Operating lease commitments

At the balance sheet date, the Bank had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2014 US$	2013 US$
Within one year	654,954	724,248
In the second to fifth years inclusive	2,619,814	2,659,528
After five years	4,003,292	4,696,429
	7,278,060	8,080,205

23. Contingencies & Commitments (continued)

(b) Credit commitments

(i) Credit facilities:

	2014 US$	2013 US$
Undrawn credit facilities	24,438,024	24,424,066
Letters of Credit	-	16,029,358
	24,438,024	40,453,424

(ii) Risk participations

	2014 US$	2013 US$
Risk participations	11,038,982	65,944,795

Credit facilities and commitments to extend credit are mainly credit exposures which represent the amounts at risk should contracts be fully drawn upon and clients default Since a significant portion of contingent exposures and commitments are expected to expire without being drawn fully or be covered by cash lien, the total of the contractual amounts is not representative of future liquidity requirements

24 Risk management

The key risks that Agricultural Bank of China (UK) Limited faces in its operations are credit, market, liquidity, and operational risks Senior management, in reporting to the Board, is responsible for the day to day management of the Bank's balance sheet in relation to risk exposure, capital ratios, structural hedging and liquidity

During its third year of business operation in 2014 the Bank further strengthened its risk infrastructure Risk Appetite and Risk Framework were comprehensively updated to incorporate the current risk strategies set out by the Board Upgrading of risk systems is ongoing The Bank's risk policies provide guidelines in managing credit risk, market risk, liquidity risk and operational risk The Internal Capital Adequacy Assessment Process ('ICAAP') and ILAA are regularly updated and stress tested With CRDIV coming in force on 1 January 2014, ABCUK has established infrastructure to fulfill Corep and other regulatory reporting requirements

Liquidity risk

The Bank defines liquidity risk as the risk that it is unable to meet its obligations as they fall due As it does not intend to apply for any liquidity modifications, the Bank will continue to meet the PRA's requirements for self-sufficiency

The Bank has two major sources of funding, intercompany loans from its Parent Bank, and interbank deposits taken both from the London market and from domestic Chinese banks The intercompany loans from the Parent Bank are repayable on 180 notice but these are not expected to be called in the foreseeable future This provides the Bank with a stable foundation for its liquidity in all market conditions

Liquid assets principally comprise lending of up to five years to customers and the bank also maintains a reserve of marketable assets These assets comprise a portfolio of central government and central bank bond assets eligible to be included in the Bank's Liquid Assets Buffer, and also a portfolio of investment grade bonds and FRNs issued by financial institutions

24 Risk management (continued)

The Bank established a governance structure that ensures that its liquidity position is kept under close review, principally under the Assets and Liabilities Committee In addition it has put into place a series of quantitative limits to define its risk appetite During 2014, it took an Internal Liquidity Adequacy Assessment (ILAA) which has shown that even under stressed conditions it will have sufficient resources to meet its obligations as they fall due Notwithstanding this, the Bank has developed a Contingency Funding Plan which could be activated if its liquidity position deteriorated

The following is the maturity analysis for financial assets and liabilities held by the Bank as of 31 December 2014

	31/12/2014						
	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non-defined	Total
	US$						
Assets							
Cash and cash equivalents	-	-	-	-	-	39 485 721	39,485 721
Placements with banks	8,050,000	25 000,000	-	117 483 358	-	-	150 533 358
Derivative financial assets	36 649 420	-	-	-	-	-	36,649,420
Loans and advances to banks	43,557 142	64 344,782	206 426 069	20 000 000	-	-	334 327 993
Loans and advances to customers	99 978,170	81,383,092	158,576,361	159 442 701	-	-	499 380,324
Available-for-sale financial instruments	-	-	20,950,000	17,295,576	-	-	38,245 576
Other financial assets	130,125	483,106	4 925 014	-	-	-	5 538,245
Financial assets total	188,364,857	171,210,980	390 877,444	314,221,635	-	39,485,721	1 104,160,637
Liabilities							
Deposits from banks	10,000 000	48 370,750	778,504,315	103 049 688	-	-	939 924 753
Deposits from FI and customers	26,178,553	-	786,468	-	-	-	26 965 021
Derivative financial liabilities	27 370 193	-	-	-	-	-	27,370,193
Other financial liabilities	911 120	910 820	1,457 266	-	-	39 863	3,319 069
Financial liabilities total	64,459,866	49,281,570	780,748,049	103,049,688	-	39,863	997 579 036
Net	123 904 991	121 929 410	(389 870 605)	211 171,947	-	39,445,858	106 581 601

24 Risk management (continued)

	31/12/2013						
	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non-defined	Total
	US$						
Assets							
Cash and cash equivalents	-	-	-	-	-	15,544,096	15,544,096
Placements with banks	29 000,000	-	10 000,000	117,483 358	-	-	156,483,358
Derivative financial assets	15 084,215	-	-	-	-	-	15,084 215
Loans and advances to banks	7 153,832	49 725 085	176 931 718	30,000 000	-	-	263,810,635
Loans and advances to customers	38 242,582	84,145,133	73 728,148	218 586,749	-	-	414,702,612
Available-for-sale financial instruments	-	20,000,000	19,706,703	18 530,575	-	-	58 237 278
Other financial assets	27 354	361,838	3,199 865	-	-	-	3,589,057
Financial assets total	89,507,983	154,232 056	283 566 434	384,600,682	-	15 544 096	927 451 251
Liabilities							
Deposits from banks	69,811 236	45,000,000	571 637,828	109,392,529	-	-	795,841,593
Deposits from FI and customers	12,000 957	3 000 000	-	-	-	-	15,000 957
Derivative financial liabilities	13,499,598	-	-	-	-	-	13,499,598
Other financial liabilities	-	535 365	1,370,843	-	-	-	1,906,208
Financial liabilities total	95 311 791	48 535,365	573,008 671	109,392 529	-	-	826,248,356
Net	(5,803,808)	105,696,691	(289,442,237)	275 208 153	-	15,544,096	101,202,895

The table below analyses the bank's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flow

	31/12/2014						
	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non-defined	Total
	US$						
Liabilities							
Deposits from banks	10 008,068	48,984 677	785 940,941	107 962 259	-	-	952,895 945
Deposits from FI and customers	26,178,852	-	788 821	-	-	-	26 967,673
Derivative financial liabilities	27,370,193	-	-	-	-	-	27 370,193
Other financial liabilities	911 120	910,820	1 457 266	-	-	39 863	3 319 069
Financial liabilities total	64,468,233	49 895 497	788,187,028	107 962 259	-	39 863	1 010 552,880

24 Risk management (continued)

	31/12/2013						
	Within 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Non-defined	Total
	US$						
Liabilities							
Deposits from banks	69,819,091	45,620,722	577,763,309	116,693,455	-	-	809,896,577
Deposits from FI and customers	12,001,037	3,003,342	-	-	-	-	15,004,379
Derivative financial liabilities	13,499,598	-	-	-	-	-	13,499,598
Other financial liabilities	-	535,365	1,370,843	-	-	-	1,906,208
Financial liabilities total	95,319,726	49,159,429	579,134,152	116,693,455	-	-	840,306,762

Credit risk

Credit risk is the risk that obligors or counterparties are unable to meet their obligations to the Bank Credit risk arises principally from lending, trading and investment activities involving on and off balance sheet instruments The Bank manages its credit risk during the course of transaction initiation, credit approval, and post-transaction credit monitoring The Bank's strategy is to adopt a prudent approach to credit exposure by lending to well-known and highly respected corporate and financial institutional entities and investing in high quality transactions securities and lending to well-known and highly respected corporate and financial institutional entities with defined sound minimum credit ratings Credit limits are managed on individual and connected group obligors or counterparties, countries, sectors in accordance with regulatory rules and the Bank's risk appetites policies

Day to day management of credit risk is performed by the front office (Corporate Banking Department and Financial Markets & Treasury Department) as the first line of defense in transaction initiation, credit application and credit exposure monitoring Risk Management performs independent appraisals on of obligors, or counterparties credit quality and transactions for consideration by the Credit Committee The Bank's credit policies require periodic and on-going monitoring of the credit worthiness of obligors and or counterparties, country risk and ratings developments

As of the year end, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Bank's exposure to credit risk as no collateral or other credit enhancements are held Credit risk exposure also encompasses undrawn credit exposures, off balance sheet exposures and counterparty non-banking book exposures No financial assets were either past due or impaired at the current or prior year end and no impairment provisions were held

Market risk

Market risk is the risk that arises from fluctuations in values of, or income from, assets, interest rates, or exchange rates The Bank manages the flow of business of its customers, predominantly, forex spot, forwards and swaps The Bank also takes small proprietary positions although exposure is limited and regularly monitored The Bank can also trade bonds on trading book in line with approved policies

The Bank manages its market risk by taking equal and opposite derivative positions in the market This will not necessarily be done by matching individual trades, but by matching overall long and short portfolio positions However, there may necessarily be some areas where the bank will inevitably take market risk where precise hedging is not possible

Market risk is managed by limits on market risk capital relating to exchange rate risk and interest rate risk, in addition to specific limits on notional amounts of net open position (foreign exchange) The dollar value of basis point change, interest rate and stop loss limits are estimated monthly

24 Risk management (continued)

Exchange rate risk

The Bank incurs foreign exchange rate risk primarily as a natural result of mismatches between its functional currency (US$) and the currencies in which it transacts It also incurs some risk through the execution of client derivative orders The Bank manages the exchange rate risks mainly by both spot exchange transactions, forward and swap exchange transactions

Interest rate sensitivity analysis

The following sensitivity analysis is based on the interest rates gap between the interest bearing assets such as cash and bank equivalents etc and interest bearing liabilities such as Parent Company borrowing as of the balance sheet date The upward and downward movement of 200 basis points is used by management in evaluating the possible changes in interest rates and the corresponding interest rate risks

The following table illustrates the impact of the yield curve moving by +/- 200 basis points on the shareholder's net assets of the Bank and on Other Comprehensive Income, based on the structure of assets and liabilities split among various time buckets on the balance sheet date

	Effect on Net Assets		**Effect on Other Comprehensive Income**	
	2014	**2013**	**2014**	**2013**
	US$	**US$**	**US$**	**US$**
Increase (+) by 200 basis	1,289,536	1,656,967	-	-
Decrease (-) by 200 basis	(1,348,750)	(1,743,308)	-	-

Operational risk

Operational risk is the risk arising from day-to-day operating activities which may translate into direct or indirect loss Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events The primary operational risk arises from the potential for core banking system breakdown and the need for the rapid recovery of operational data Other operational risks include front and back office errors, fraud, breaches in internal controls and external events, resulting in financial loss or reputational damage The Bank manages these risks through appropriate risk controls and loss mitigation actions These actions include a balance of policies, procedures, internal control, contractual business continuity arrangements, training, and risk monitoring and reporting The Bank also uses a Risk Map in its operational risk management process.

Stress Testing and Scenario Analysis

As part of the Bank's obligation under the overall Pillar II rule it is required to identify the major sources of risk and carry out stress tests and scenario analyses that are appropriate to the nature, scale and complexity of those major sources of risk and to the nature, scale and complexity of the Bank business

24 Risk management (continued)

A scenario stress test contains simultaneous moves in a number of risk factors, where the Bank believes that an event may occur in the foreseeable future A stress test scenario can be based on a significant market event experienced in the past (a historical scenario) or on a plausible market event that has not yet happened (a hypothetical scenario)

In a portfolio-driven approach vulnerabilities are identified initially Having determined these vulnerabilities, the Bank worked backwards and formulated plausible scenarios under which these vulnerabilities are stressed

In event-driven scenarios, the scenarios have been formulated based on plausible events and how these events might affect the relevant risk factors affecting the Bank's activities

ICAAP (Internal Capital Adequacy Assessment Process) Document Update

This document sets out the framework for the Bank's internal governance, and the operation of the risk and capital management arrangements In particular the document establishes the internal governance structure and assurance framework, the risk management framework, the key risk areas that are relevant to the Bank, the adequacy of capital resource and internal capital in relation to the overall risk profile and hence the Bank's overall ability to meet its liabilities as they fall due and the way in which the ICAAP is used in the business

During 2014 the Bank has updated its ICAAP document derived from Pillar I, Pillar 2A and Pillar 2B computations and has calculated its internally assessed Internal Capital Guidance (ICG) and Capital Planning Buffer (CPB) The results show that the Bank has adequate surplus above the total capital requirement

Pillar III Disclosures

The Bank has updated its Pillar III Disclosures during 2014 The Pillar III document complements Pillar I and Pillar II by encouraging market discipline by developing a set of disclosure requirements which allow market participants to assess the institution's capital adequacy

CRD IV Reporting
A new EU-wide supervisory reporting framework, under the Capital Requirement Directive IV ("**CRD IV**") and Capital Requirements Regulations ("**CRR**"), came into force on 1 January 2014 Banks are required to complete regulatory returns within the guidelines of Common Reporting (COREP) and Financial Reporting (FINREP)

25 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the financial statements
The following table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable inputs

25 Fair value of financial instruments (continued)

	2014		2013	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	USD	**USD**	**USD**	**USD**
Cash and cash equivalents (Level 1)	39,485,721	39,485,721	15,544,096	15,544,096
Placements with banks (Level 2)	150,533,358	150,533,358	156,483,358	156,483,358
Derivative financial assets (Level 2)	36,649,420	36,649,420	15,084,215	15,084,215
Loans and advances to banks (Level 2)	334,327,993	334,327,993	263,810,635	263,810,635
Loans and advances to customers (Level 2)	499,380,324	494,376,610	414,702,612	407,084,408
Available-for-sale financial investments (Level 1)	38,244,530	38,245,576	58,155,372	58,237,278
Other financial assets (Level 2)	5,538,245	5,538,245	3,589,057	3,589,057
Deposits from banks (Level 2)	939,924,753	934,921,039	795,841,593	788,223,389
Deposits from other financial institutions and customers (Level 2)	26,965,021	26,965,021	15,000,957	15,000,957
Derivative financial liabilities (Level 2)	27,370,193	27,370,193	13,499,598	13,499,598
Other financial liabilities (Level 2)	3,319,069	3,319,069	1,906,208	1,906,208

26 Related party transactions

(a) Parent and ultimate controlling party

Agricultural Bank of China (UK) Limited's ultimate holding company, ultimate controlling party, and the parent of the smallest and largest group into which the Bank is consolidated is Agricultural Bank of China Limited which is registered in People's Republic of China Copies of its group financial statements can be obtained from

Agricultural Bank of China Limited
69 Jianguomen Nei Avenue
Dongcheng District
Beijing
People's Republic of China

The Bank has provided loan to the parent bank branches and the total amount outstanding as at 31 December 2014 was US$235,887,558 (2013 US$186,195,848) and the interest income for the year was US$7,508,475 (2013 US$4,205,145)

Agricultural Bank of China Limited has provided funding to the Bank, the amount outstanding as at 31 December 2014 was US$604,481,866 (2013 US$531,637,828) and the interest expenses for the year was US$4,313,285 (2013 US$1,744,116), Agricultural Bank of China Limited has owned US$272,924 (2013 US$ Nil) at the year end

(b) Key management compensation
Key management is comprised of directors of the Bank
Key management personnel compensation for the year ended 31 December 2014 comprised of salaries and other short term benefits in the amount of US$1,124,301 (2013 US$1,561,730)
The bank does not provide non-cash benefits to any of the key management personnel

27 Events after the balance sheet date

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements