

Reaching **New Heights** with **Balanced** Growth



SUMMARY
FINANCIAL REPORT
2012



OUR VISION

TO BE YOUR PREMIER BANK

OUR MISSION

Build

customer satisfaction and provide quality and professional service

Offer

rewarding career opportunities and cultivate staff commitment

Create

values and deliver superior returns to shareholders

Combining the initials of mission and core values, we have

BOC SPIRIT

OUR CORE VALUES

Social Responsibility

We care for and contribute to our communities

Performance

We measure results and reward achievement

Integrity

We uphold trustworthiness and business ethics

Respect

We cherish every individual

Innovation

We encourage creativity

Teamwork

We work together to succeed

BOC Hong Kong (Holdings) Limited (“the Company”) was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in Bank of China (Hong Kong) Limited (“BOCHK”), its principal operating subsidiary. Bank of China Limited holds a substantial part of its interests in the shares of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of Bank of China Limited.

BOCHK is a leading commercial banking group in Hong Kong. With nearly 270 branches, 590 ATMs and other delivery channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to individual and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong. In addition, the BOCHK Group (comprising BOCHK, Nanyang Commercial Bank and Chiyu Banking Corporation) and its subsidiaries have 38 branches and sub-branches in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland. BOCHK is appointed by the People’s Bank of China as the Clearing Bank for Renminbi (“RMB”) business in Hong Kong. On 13 July 2010, BOCHK was authorised as the Clearing Bank of RMB banknotes business for the Taiwan region.

The Company began trading on the main board of the Stock Exchange of Hong Kong on 25 July 2002, with stock code “2388”, ADR OTC Symbol “BHKLY”.

Theme

With the adoption of balanced growth strategy, the Group delivered record high results in 2012. As reflected in the cover design, the symbolic Bank of China Tower is the link to connect with our customers. Through the provision of innovative and comprehensive range of services as well as our enhanced service platform, we are committed to bringing brand-new banking experience to our customers.

The dynamic graphic lines in the cover also signify the proactive approach and unique strengths of the Group to capture growth opportunities. Riding on our solid financial position and prescient operating strategy, we endeavour to achieve sustainable growth and create greater value for our customers, shareholders and community.

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Shareholders may elect to receive printed copy of Annual Report or Summary Financial Report for all future financial years by writing to the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, details of which are set out in the letters sent by the Company to its shareholders in mid April 2013.

This Summary Financial Report is available in both English and Chinese. Printed copy prepared in the language different from that in which you have received is available by writing to the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited.

This Summary Financial Report is also available (in both English and Chinese) on the Company’s website at www.bochk.com and the Stock Exchange’s website at www.hkexnews.hk.

If you have any queries about how to obtain copies of the Company’s Annual Report or Summary Financial Report or how to access those documents on the Company’s website, please call the Company’s hotline at (852) 2846 2700.

FINANCIAL HIGHLIGHTS

For the year	2012 HK\$'m	2011 HK\$'m	Change +/(-) %
Net operating income before impairment allowances	35,760	30,846	15.93
Operating profit	23,499	22,478	4.54
Profit before taxation	25,521	24,680	3.41
Profit for the year	21,547	20,813	3.53
Profit attributable to the equity holders of the Company	20,930	20,430	2.45
Per share	HK\$	HK\$	+/(-) %
Basic earnings per share	1.9796	1.9323	2.45
Dividend per share	1.2380	1.1880	4.21
At year-end	HK\$'m	HK\$'m	+/(-) %
Capital and reserves attributable to the equity holders of the Company	150,969	129,765	16.34
Issued and fully paid share capital	52,864	52,864	—
Total assets	1,830,763	1,738,510	5.31
Financial ratios	%	%	
Return on average total assets ¹	1.24	1.14	
Return on average shareholders' equity ²	14.91	16.68	
Cost to income ratio ³	31.88	25.49	
Loan to deposit ratio ⁴	63.32	61.00	
Average liquidity ratio ⁵	41.20	36.17	
Capital adequacy ratio ⁶	16.80	16.90	

1. Return on average total assets = $\frac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

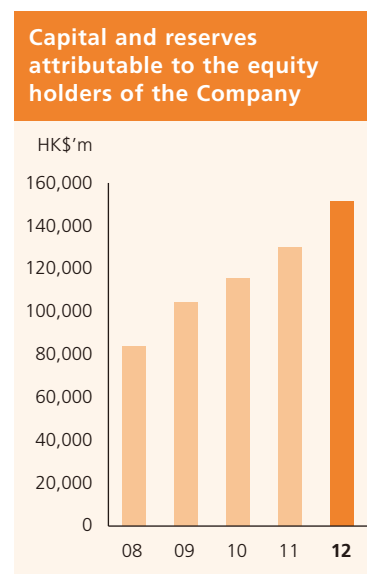
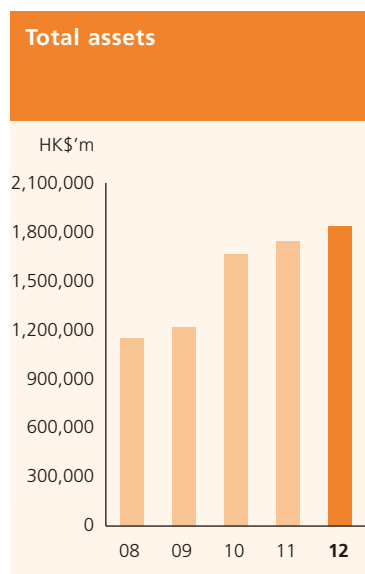
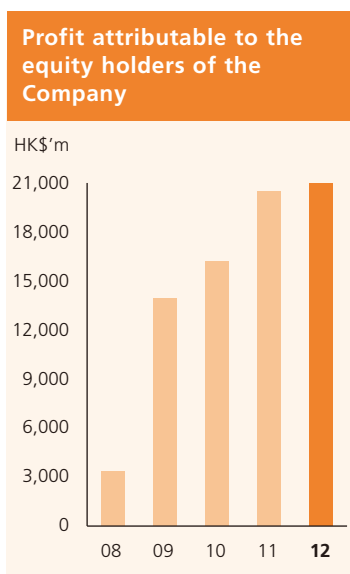
2. Return on average shareholders' equity
 $= \frac{\text{Profit attributable to the equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to the equity holders of the Company}}$

3. In calculating cost to income ratio, cost includes the impact of Lehman Brothers minibonds.

4. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposit represents deposits from customers including structured deposits reported as "Financial liabilities at fair value through profit or loss".

5. Average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.

6. Capital adequacy ratio is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules. The bases of regulatory capital calculation for credit risk, market risk and operational risk are described in Note 4.5 to the Financial Statements in the Annual Report. As a result of the change in the bases used, the capital ratios shown above are not directly comparable.



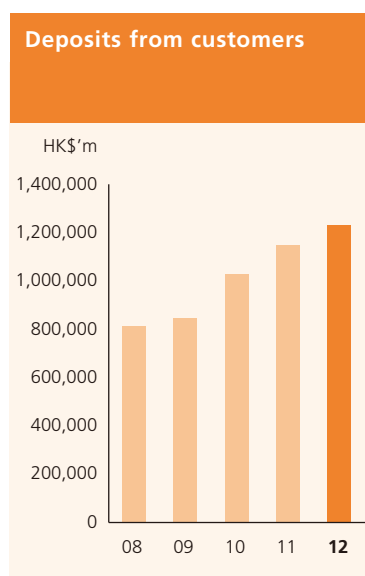
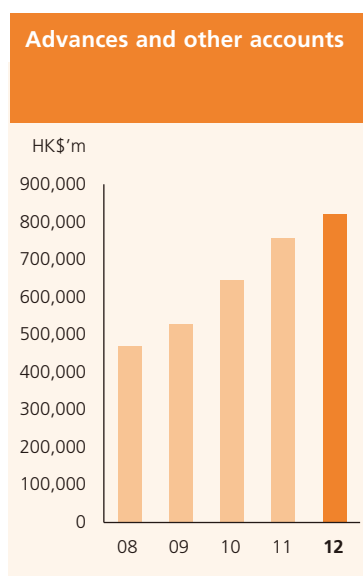
FIVE-YEAR FINANCIAL SUMMARY

The financial information of the Group for the last five years commencing from 1 January 2008 is summarised below:

For the year	2012 HK\$'m	2011 HK\$'m	2010 HK\$'m	2009 ² HK\$'m	2008 ² HK\$'m
Net operating income before impairment allowances	35,760	30,846	27,508	26,055	25,526
Operating profit	23,499	22,478	18,239	15,104	4,182
Profit before taxation	25,521	24,680	19,742	16,724	4,078
Profit for the year	21,547	20,813	16,690	14,251	2,977
Profit attributable to the equity holders of the Company	20,930	20,430	16,196	13,930	3,313
Per share	HK\$	HK\$	HK\$	HK\$	HK\$
Basic earnings per share	1.9796	1.9323	1.5319	1.3175	0.3134
At year-end	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Advances and other accounts	819,739	755,229	645,424	527,135	469,493
Total assets	1,830,763	1,738,510	1,661,040	1,212,794	1,147,245
Daily average balance of total assets	1,734,388	1,823,989	1,382,121	1,177,294	1,099,198
Deposits from customers ¹	1,229,131	1,146,590	1,027,267	844,453	811,516
Total liabilities	1,675,689	1,605,327	1,542,751	1,105,879	1,061,695
Issued and fully paid share capital	52,864	52,864	52,864	52,864	52,864
Capital and reserves attributable to the equity holders of the Company	150,969	129,765	115,181	104,179	83,734
Financial ratios	%	%	%	%	%
Return on average total assets	1.24	1.14	1.21	1.21	0.27
Cost to income ratio	31.88	25.49	34.84	46.60	34.36
Loan to deposit ratio	63.32	61.00	59.69	60.98	56.74

1. Deposits from customers include structured deposits reported as "Financial liabilities at fair value through profit or loss".

2. Certain comparative amounts have been restated to reflect the adoption of HKAS 12 (Amendment) "Income Taxes".





BRAND-NEW
CUSTOMER
EXPERIENCE





CHAIRMAN'S STATEMENT



The operating environment for Hong Kong's banking industry in 2012 was characterised by a sluggish global economy, stringent regulatory requirements and persistently low interest rates. Nevertheless, the Group succeeded in overcoming all these macro challenges and struck a balance between revenue and cost, and growth and capital management, which enabled us to achieve once again new highs in net operating income before impairment allowances and profit attributable to the equity holders since our listing. While driving our core business development, the Group stepped up efforts to support new business initiatives of strong growth potential and strived to maintain a proper mix of capital, liquidity, loan to deposit ratio and other key management indicators. Our pursuance of a sustainable balanced growth strategy has delivered solid results.

The Group's net operating income before impairment allowances, operating profit before impairment allowances and profit attributable to the equity holders maintained growth momentum in 2012. Excluding the impact of the Lehman Brothers-related products, operating profit before impairment allowances and profit attributable to the equity holders witnessed encouraging growth performance.

Solid financial capability and a pragmatic operating strategy are crucial to the foundation of our balanced growth. During the year, we remained well capitalised with consolidated capital adequacy ratio and average liquidity ratio staying at healthy levels. Our continuous efforts in maintaining financial strength have enabled us to withstand market uncertainties and capture opportunities pre-emptively whilst meeting regulatory requirements.

During the period, thanks to the adoption of a flexible deposit strategy coupled with the bundling of suitable auxiliary products, our customer deposit grew healthily. Against the backdrop of an unstable external environment, softened loan demand as well as stronger competition from peers and other capital markets, the Group captured timely opportunities in different credit categories and grew its loans in a balanced manner, achieving top business rankings in the Hong Kong new residential mortgage market and in the Hong Kong-Macau syndicated loan market. We also strictly stuck to the stringent lending policy and prudent management of loan portfolio risks, sustaining robust loan quality. Apart from that, facing a prolonged low interest rate environment, we improved the asset and liability mix and optimised funds deployment while proactively managing the cost of funding and loan pricing. These efforts, together with the eased dilution effect of the RMB clearing bank business, led to net interest margin improvement.

While continuously deploying resources in existing businesses, we never stopped making strategic investment in the new businesses with great potential. BOCHK launched its private banking service in November 2012 for top-tier customers extending our service scope. Taking advantage of trends in new information technology, we also enhanced the mobile banking platform, which has been well received by our customers. In asset management, a vast array of investment products, including a bond fund in cooperation with the World Bank, was launched to cater to diverse customer needs and won positive comments from the market. Despite enlarged investments in the key business areas, we adhered to our policy of assessing income and



spend in accordance with the adoption of stringent cost control measures, thereby sustaining a relatively low cost-to-income ratio.

In 2012, further regulatory relaxation fostered a favourable development in the Hong Kong offshore RMB market. Leveraging our brand advantage, the Group continued to steadily develop offshore RMB business and maintained our leading position. Firstly, we enriched our RMB product range in line with regulatory development and to meet customer needs. We also upgraded the comprehensive service capabilities of our RMB business, specifically in trade settlement, investment and financing, insurance and funds distribution to strengthen customer relationships and drive potential growth opportunities from other businesses with continuous service quality enhancement. During the year, we launched three new offshore RMB bond sub-indices, which not only garnered more market recognition for BOCHK but also strengthened our position in the offshore RMB market. With the extension of offshore RMB services to non-Hong Kong residents from August 2012, we swiftly geared up ourselves and were one of the first few banks providing the most comprehensive range of RMB products, earning us positive market feedback. Our customer base expanded further on the back of our distinguished services in the offshore RMB business. In addition to following through with a flexible strategy of RMB asset and liability management focusing on asset deployment optimisation, we also proactively managed RMB funding cost and promoted RMB lending business to achieve remarkable earnings growth. Our global clearing network was further strengthened and expanded with upgraded settlement facilities, so as to enhance our long-term and sustainable competitiveness. In line with the extension of the operating hours of the RMB Real Time Gross Settlement System in Hong Kong, BOCHK, as the RMB clearing bank, extended service hours of the clearing function since June 2012. This enabled participating banks in different time zones to conduct RMB clearing services more conveniently, increasing Hong Kong's competitive edge as an offshore RMB clearing hub. More importantly, by further deepening cooperation with our parent bank, BOC, we will enhance our financial service capabilities for global customers and jointly expand an even broader offshore RMB business market.

In 2012, BOCHK was named, for the second consecutive year, one of the world's strongest banks by Bloomberg Markets magazine. The significant jump in our ranking to No.2 from No.10 in 2011 is a recognition of our outstanding performance in terms of financial position, asset quality and operating efficiency. In 2013, we will stay

attuned to market changes as the pace of global economic recovery remains uncertain and the low interest rate environment may prevail in the near term. With the ongoing economic reforms in China, we believe that more new policies and measures will create business opportunities for the Group. By keeping up our acute market sense and prudent risk management principles while at the same time capitalising on our solid financial position and prescient operating strategy, we will continue to earnestly expand our business in the areas where our competitive advantages lie and capture new business opportunities to achieve a sustainable balance among growth, risks and return.

On behalf of the Board, I would like to welcome Mr. NING Gaoning who joined us as an Independent Non-executive Director of the Company and BOCHK on 24 August 2012. I believe that Mr. NING will bring new thinking to the Group with his abundant experience in China and Hong Kong markets.

Year 2012 marked the 100th anniversary of BOC and the 10th anniversary of BOCHK's listing. We not only take great pride in the sound development of BOC Group through the years, but also embrace more focus and greater collaboration on cross-border financial services for a brighter future. The Group's achievements in the past year are attributable to the long-standing trust and support of our customers and shareholders, wise counsel from our Board and the great efforts and devotion of our employees. The Board and the Group will firmly move forward towards the goal of a long-term sustainable development with a view to continuously creating greater value to our customers, shareholders and community.

XIAO Gang
Chairman

Hong Kong, 15 March 2013



CHIEF EXECUTIVE'S REPORT



I am pleased to report that the Group delivered another year of record results in 2012 with solid growth in income and profit. Despite a still challenging operating environment, this consistent performance was achieved on the back of our effective execution of the Group's balanced growth strategy. Our financial position remained strong while profitability of core businesses improved. We also made good progress in achieving our strategic objectives and enhancing our customer franchise. All these helped solidify our foundations to drive the Group's long-term sustainable development.

In 2012, the overall market conditions remained tough as characterised by the lack of obvious growth drivers in major economies and ongoing market uncertainties arising from the evolving European debt crisis. Growth of the Chinese economy softened for most part of the year but resumed momentum in the fourth quarter. In Hong Kong, GDP growth was modest with sluggish external trade and domestic consumption.

The operating environment for Hong Kong's banking industry was challenging as consistently low interest rates, reduced business activities and keen competition continued to affect banks' performance. On the positive side, we saw new business opportunities arising from the further development of offshore RMB market supported by a series of new government initiatives. These included the further relaxation of investment restrictions in relation to the RMB

Qualified Foreign Institutional Investors (RQFII) scheme, the expansion of personal RMB services to non-Hong Kong residents and the introduction of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

Key Initiatives and Achievements

During the period, the Group maintained its proactive yet prudent approach in managing its balance sheet and driving business development. Our consistent investments and efforts in our strategic focuses yielded rewarding results and market recognition, especially in the offshore RMB business and the enhancement of our product and service capabilities.

Strong Financial Position

- In view of the changing market environment and keen competition, we continued to pursue our proactive strategies in managing the Group's assets and liabilities to improve profitability and solidify financial strength.
- Our strong financial position earned us recognition as the world's second strongest bank and the top one among banks in Hong Kong by Bloomberg Markets in May 2012.
- The Group's balance sheet was strong with solid capital and liquidity position. Under the volatile economic environment, we continued to adopt stringent risk management and credit control to deliver quality



growth. Overall loan quality remained healthy with our classified or impaired loan ratio staying at a low level. Our investment book was prudently managed to optimise risk and return.

- Both loans and deposits recorded healthy growth with loan-to-deposit ratio staying at a decent level. Our conscious efforts to enhance the deployment of the offshore RMB funds, to improve loan pricing and to control deposit cost contributed to the net interest margin improvement.
- The Group remained focused on enhancing operational efficiency and maintaining disciplined cost control. We also continued to invest in new business platforms and Mainland operation to support long-term business growth. Investments were made judiciously with expenses well contained within our cost-to-income target.

Leading position and solid growth for offshore RMB business

- The offshore RMB market saw more favourable developments during the year. Capitalising on its core strengths, the Group acted swiftly to capture these rising opportunities. We maintained our leading positions in major RMB businesses and received a number of industry recognitions, including retail banking business, corporate banking business, insurance business and asset management business.
- We pioneered in launching new products and services to cater to the growing needs in RMB transactions around the world. We successfully arranged the first sizable 100% RMB syndicated loan in Hong Kong. Our competitiveness in the trade finance business was further strengthened with market-leading products launched. The "Multi-currency Shipping Finance (RMB and USD)" product that we offered has marked a number of milestones in the industry, including the first export shipping contract settled in RMB and issuance of the first cross-border RMB Refund Guarantee. This product also won the "Innovation Award – Business Innovation" in the Lloyd's List Global Awards 2012.

- Taking advantage of the fast expanding Dim Sum bond market, we actively participated in the RMB bond underwriting business with a substantial increase in turnover year-on-year. Leveraging the opportunities arising from the RQFII programme, we became the largest RQFII funds distributor and custody service provider in Hong Kong.
- In August, RMB banking services were further extended to non-Hong Kong residents. The Group promptly offered an array of RMB services to global customers and took the lead by enabling RMB services for non-Hong Kong residents at all our branches.
- In line with the extension of the operating hours of the RMB RTGS system in Hong Kong, we upgraded our related services and extended our service hours. This service enhancement enables both personal and corporate customers in different time zones to enjoy the convenience of our settlement services.

Enhanced franchise for sustainable growth

- Investing in the Group's franchise has always been a key management priority to bolster its long-term competitiveness. New business platforms set up over the past few years continued to deliver encouraging performance and received market recognition. Our custody business was named as the "Best Asian Bank for Cross-Border Custody" in the AsianInvestor Service Provider Awards 2012, in recognition of its outstanding cross-border custody services. The asset management team, set up in late 2010, has been granted five prestigious "2012 Best of the Best Awards" by Asia Asset Management. In November, we launched a new private banking platform to provide high-net-worth individuals and their families with unique and tailor-made wealth management services.
- In addition, we continued to build up our service capabilities and innovate products to cater to customer needs. For our securities brokerage business, we introduced a "Personalised Securities Services" to provide high-end customers with more flexible and



CHIEF EXECUTIVE'S REPORT

convenient trading services. Our mobile banking platform was further enhanced by being the first bank in the market to launch mobile functions for IPO share subscriptions and IPO financing. As a leader in the mortgage market, the Group pioneered the "1 Day Approval Mortgage Services" to facilitate more efficient loan applications for customers.

- The Group further optimised its distribution channels to meet the needs of both local and cross-border customers. A brand new concept branch was opened in Causeway Bay which offers a pleasant banking environment equipped with advanced banking service technologies and paperless counter services. Our automated channels were also enhanced in terms of network coverage and service functions. We upgraded our phone banking systems and services to meet the increasing demand for cross-border phone banking services. We launched the first chip-based ATM Card in Hong Kong, which not only offers greater security but also a number of new banking service functions. The Group's electronic platform and services were highly recognised in the industry with a number of awards received in 2012. The new corporate internet banking platform, BOCNET HK, was successfully launched which greatly enhanced the linkage of our e-banking and cash management platform with those of BOC and its overseas branches.
- For our Mainland operation, we further expanded our branch coverage to a total of 36 as at end of 2012. The enhancement of the Group's e-Banking platforms proved to be successful as the number of new accounts and transaction volume increased significantly.

Financial Performance

In 2012, the Group's profit attributable to the equity holders increased by 2.4% year-on-year to HK\$20,930 million, a record high since listing. Net operating income before impairment allowances was HK\$35,760 million, increased by 15.9% as compared to 2011. The growth was mainly driven by the increase in net interest income and net trading gain. Total operating expenses increased by

45.0% to HK\$11,402 million from a lower base in 2011 when a large net recovery from the underlying collateral of the Lehman Brothers Minibonds was recorded. Return on average total assets (ROA) and return on average shareholders' equity (ROE) was 1.24% and 14.91% respectively compared to 1.14% and 16.68% in 2011.

Excluding the impact of Lehman Brothers-related products, core operating expenses would have increased by 7.9% and cost-to-income ratio was at 32.15%. The increase reflected our investment in business expansion, annual salary adjustment and higher depreciation charges. The Group's profit attributable to the equity holders would have increased by 14.9%. ROA and ROE would have improved year-on-year by 0.23 percentage point to 1.24% and by 0.19 percentage point to 14.74% respectively.

For the period under review, net interest income rose by 12.4% year-on-year to HK\$24,708 million. The growth was driven by the widening of net interest margin which was 1.60%, up 28 basis points compared to 2011. The increase was mainly attributable to higher return on the offshore RMB business and eased diluting effect of the Group's RMB clearing bank business. Average interest-earning assets contracted by HK\$119.6 billion or 7.2%, mainly due to the drop in participating banks' RMB deposits with the clearing bank as a result of increased deployment of RMB funds in the market.

Net fee and commission income rose mildly by 0.9% year-on-year to HK\$7,906 million. Key growth drivers included fee and commission income from loans, credit cards and funds distribution. The increase, however, was mostly offset by the decline of commission income from securities brokerage, insurance and bills commissions, reflecting the subdued investors' sentiment and trade activities.

Net trading gain grew 83.0% year-on-year to HK\$3,129 million. The increase was mainly a result of higher net trading gain from interest rate instruments and items under fair value hedge, foreign exchange and foreign exchange products as well as equity instruments.



Total assets increased by 5.3% to HK\$1,830.8 billion as at 31 December 2012, mainly driven by increase in customer deposits. The Group pursued a proactive deposit strategy to support business growth while maintaining a cautious control of funding costs. Customer deposits expanded by 7.2% year-on-year to HK\$1,229.1 billion, driven by the increase in lower cost saving and demand deposits. Despite slower market demand, advances to customers grew healthily by 11.3% as compared with end-2011 to a total of HK\$778.3 billion with broad-based growth in both corporate and personal loans. Loan-to-deposit ratio increased to 63.32%, up 2.32 percentage points from the end of 2011. Overall loan quality remained sound with classified or impaired loan ratio at 0.26%.

Throughout the year, the Group continued to manage its capital and liquidity prudently. Consolidated CAR and core capital ratio as at 31 December 2012 were 16.80% and 12.31% respectively, compared to 16.90% and 12.51% at the end of 2011. Average liquidity ratio was at 41.2%, versus 36.17% a year ago.

The Board recommended the declaration of a final dividend of HK\$0.693 per share for 2012. Together with the interim dividend of HK\$0.545 per share, the total dividend of HK\$1.238 per share represents an increase of 4.2% year-on-year. The Group's total dividend payout as a percentage of profit attributable to the equity holders will be 62.5%.

Business Review

Personal Banking business delivered satisfactory performance in 2012 with solid growth in both loans and deposits. Net operating income before impairment allowances and profit before taxation reached HK\$11,643 million and HK\$5,513 million respectively.

We maintained our market leadership in new mortgage loans with 9.9% increase in residential mortgage loan balance. Our wealth management business posted solid performance with further increase in customer base. We enriched our products and services and provided more customised solutions to meet the different needs of our wealth management customers. Trading volume of the stock market in Hong Kong reduced substantially which dampened our brokerage business. Nevertheless, our other investment services performed strongly. Commission from

funds distribution rose substantially by 60.2%, benefiting from the Group's strong performance in the distribution of RQFII funds and product diversification. Credit card business sustained its growth momentum in 2012. Fee income from the credit card business grew by 14.5%, driven by the increase of 10.9% in cardholder spending and 14.6% in merchant acquiring volume. Credit card advances rose by 19.5%. In the Bancassurance business, the Group strengthened its position as a prominent life insurance provider and maintained its lead in the RMB insurance market.

Corporate banking business continued to make good progress and delivered broad-based income growth. Net operating income before impairment allowances increased by 14.3% to HK\$13,654 million while profit before taxation surged by 12.6% to HK\$9,725 million.

Despite slower loan demand in the market, the corporate loan book grew 11.6% with encouraging growth in offshore RMB loans. The pricing of our corporate loan book improved on the back of our consistent strategy to balance growth and profitability. It strived to provide "Total Solutions" with a full range of financial services, including innovative trade-related products and "Integrated Branches for Commercial Business", to better serve the needs of major corporate and SME customers.

We also maintained our position as the top mandated arranger in Hong Kong-Macau syndicated loan market. In recognition of its long-standing support for SMEs in Hong Kong, the Group received for the fifth consecutive year the "SME's Best Partner Award" presented by the Hong Kong General Chamber of Small and Medium Business Limited.

The Group made solid progress in developing its cash management business. The linkage of the Group's e-banking platform with those of BOC and its overseas branches has been completed. This has greatly stepped up the Group's cross-border cash management capabilities. Our custody business successfully secured mandates from a number of RQFII fund products. It also continued to expand its institutional client base and secured mandates to provide global custody services to various Qualified Domestic Institutional Investors.



CHIEF EXECUTIVE'S REPORT

Treasury segment recorded outstanding financial results in 2012. Net operating income before impairment allowances increased by 30.5% year-on-year to HK\$9,625 million while profit before taxation increased by 28.7% to HK\$8,382 million.

We continued to focus on prudently managing our banking book investments in view of the market complications and changes. Portfolio mix was further optimised. We increased our investments in government-related bonds, high quality bonds issued by Asia-Pacific financial institutions and corporations as well as RMB-denominated bonds.

On the product development front, we introduced various innovative products to help customers better manage their exchange rate risk and financing costs, which were well-received by customers. We also made good progress in expanding our offshore RMB business. As part of its ongoing efforts to facilitate the development of the offshore RMB bond market, the Group launched three new offshore RMB bond sub-indices and remained an active participant in the underwriting of offshore RMB-denominated bonds. Capitalising on our strong RMB franchise and close collaboration with BOC, we expanded our business relationships with banks and financial institutions in different geographical regions.

Our **Mainland** business delivered encouraging performance in a challenging banking environment. We recorded satisfactory growth in both deposits and loans which increased by 12.8% and 21.2% respectively. Net operating income increased by 17.9%.

The business platform of our NCB (China) was further strengthened in terms of product offering and distribution channels. A new series of products that were linked to interest rates, exchange rates, gold and commodity prices was introduced to cater to the increasing demand for wealth management services. Leveraging the "Channel Sharing" model, which allows NCB (China)'s debit card holders to access services through BOC's branches and ATMs, it helped boost deposit growth and generate more retail banking business. During the year, eight new NCB (China) sub-branches were added.

Insurance business recorded robust profit growth and maintained its strong position in the RMB insurance market. Net operating income before impairment allowances increased by 106.1% year-on-year to HK\$843 million. Profit before taxation grew substantially to HK\$609 million from a low base of HK\$33 million last year. The growth in profit was mainly attributable to the better investment performance as compared to an investment loss in 2011 amid the credit volatility in the financial market.

During the year, BOC Life was granted the approval to invest directly in the Mainland's interbank bond market, thus facilitating the expansion of RMB assets and the further development of its RMB insurance products. BOC Life received the honour of the "Hong Kong Offshore RMB Centre – 1st RMB Business Outstanding Awards – The Outstanding Insurance Business" organised by some local media.

Outlook

Looking into 2013, the overall operating environment looks mixed. We started the year with improved sentiment in global markets which brings along optimism to the outlook. However, some key fundamental issues in major economies are still unresolved which may continue to affect the stability of global markets. We, therefore, need to stay alert. Mainland China's economic performance, the US's fiscal cliff and the European debt crisis will remain the three major factors affecting the macroeconomic and market environment. There are still uncertainties over the pace of recovery for major economies and the growth could be fragile. Against this backdrop, the growth outlook for Hong Kong's economy would be modest.

For the local banking industry, banks may continue to face challenges coming from a fragile macro environment, persistently low interest rates and increasingly fierce competition. In addition, starting from 1 January 2013, the first phase of Basel III implementation has come into operation in Hong Kong. The new regulatory environment will require banks to operate on a higher capital base and efficiency. To adapt to the new capital requirement, banks may need to adjust their business strategies accordingly.



Despite the still challenging environment, the Group remains focused on driving its business development and capturing new opportunities, especially in the offshore RMB business. In January, leveraging the opportunities from the "Cross-boundary RMB Loan Trial Scheme in Qianhai", the Group swiftly launched its cross-border RMB loan business and signed agreements with five enterprises registered in Qianhai to provide them with cross-border RMB direct loans. BOCHK has also been designated as a market maker for the USD/CNH (offshore RMB) futures by the Chicago Mercantile Exchange Group, being the sole bank among the first group of market makers. Our asset management arm continues to expand its business through strategic partnerships with overseas financial institutions to develop RMB-related investment products. Capitalising on our strong RMB franchise, we will continue to create new growth drivers by expanding our business scope, customer base and geographical coverage. We will also continue to work closely with BOC, our parent bank, to promote the global RMB service capabilities of BOC Group.

In view of the evolving market trends, the Group will continue to broaden and strengthen its business capabilities to better serve the diverse needs of customers. The investments we made over the past years proved to be very effective in supporting the development of our major business segments. Capitalising on our enhanced platforms, we successfully deepened customer relationships and attracted new customers. Our strategy will remain customer-centric. Through product and service innovation as well as channel optimisation, we aim to substantially enhance the overall customer experience. We will continue to focus on our customer segmentation strategy to provide more customised services to targeted customers.

Maintaining a strong financial position will continue to be one of the management's key priorities, especially amid current market conditions. As shown in our 2012 results, all our key financial ratios were at solid levels with strong capital and liquidity profile. With Basel III implementation to be effective this year, the Group is well prepared to meet the new capital standards while continuing our growth plans. We will continue to adopt our proactive approach in managing our assets and liabilities. While striving for income and profit growth, we will exercise rigorous risk

management to safeguard our asset quality. We will also remain focused on disciplined cost control and attaining greater efficiency when growing our business.

2012 was the tenth anniversary of the Company's public listing in Hong Kong. I am pleased to see the healthy development and continuous reinforcement of our franchise over the past 10 years. For the success we achieved, I would like to express my deep appreciation to our customers and shareholders for their unwavering support and trust which enables us to realise our potential. I am also grateful to our Board of Directors for their wisdom and council. Of equal importance is the contribution of all my colleagues through their hard work and devotion.

Due to the need of the state financial work, Mr. XIAO Gang has resigned as Chairman and Non-executive Director of the Company and the Bank with effect from 17 March 2013. On behalf of the Group, I would like to take this opportunity to express our sincere gratitude and highest respect to him for his strong leadership and outstanding contributions during his tenure. We wish him every success in his new endeavour.

To support the Group's long-term development, we fully understand the importance of promoting sustainable development of the economy, society and environment where we operate. As a leading banking group in Hong Kong, we are committed to making positive contribution to the community's development and promoting CSR in every facet of our business. Going forward, I am confident that the Group will remain strongly positioned to capture quality growth opportunities and to create greater value for its stakeholders by building on its distinct competitive edges and financial strength.

HE Guangbei
Vice Chairman & Chief Executive

Hong Kong, 26 March 2013



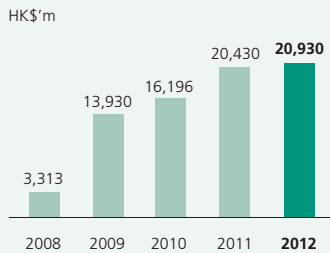
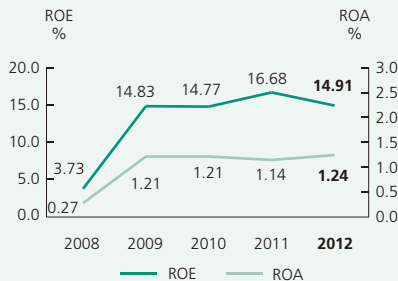
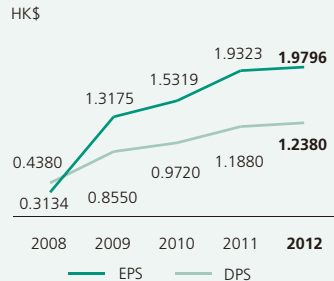
INNOVATIVE **RMB** SERVICE



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE AND CONDITION AT A GLANCE

The Group achieved another set of encouraging financial results in 2012 with profit attributable to the equity holders reaching a new high. The financial position remains solid with key financial ratios at healthy levels.

Key Performance Trends																																																		
Profit Attributable to the Equity Holders	Return on Average Shareholders' Equity ¹ ("ROE") and Return on Average Total Assets ² ("ROA")	Earnings Per Share ("EPS") and Dividend Per Share ("DPS")																																																
HK\$'m  <table><thead><tr><th>Year</th><th>Profit Attributable to the Equity Holders (HK\$'m)</th></tr></thead><tbody><tr><td>2008</td><td>3,313</td></tr><tr><td>2009</td><td>13,930</td></tr><tr><td>2010</td><td>16,196</td></tr><tr><td>2011</td><td>20,430</td></tr><tr><td>2012</td><td>20,930</td></tr></tbody></table>	Year	Profit Attributable to the Equity Holders (HK\$'m)	2008	3,313	2009	13,930	2010	16,196	2011	20,430	2012	20,930	ROE % ROA %  <table><thead><tr><th>Year</th><th>ROE %</th><th>ROA %</th></tr></thead><tbody><tr><td>2008</td><td>3.73</td><td>0.27</td></tr><tr><td>2009</td><td>14.83</td><td>1.21</td></tr><tr><td>2010</td><td>14.77</td><td>1.21</td></tr><tr><td>2011</td><td>16.68</td><td>1.14</td></tr><tr><td>2012</td><td>14.91</td><td>1.24</td></tr></tbody></table>	Year	ROE %	ROA %	2008	3.73	0.27	2009	14.83	1.21	2010	14.77	1.21	2011	16.68	1.14	2012	14.91	1.24	HK\$  <table><thead><tr><th>Year</th><th>EPS</th><th>DPS</th></tr></thead><tbody><tr><td>2008</td><td>0.4380</td><td>0.3134</td></tr><tr><td>2009</td><td>1.3175</td><td>0.8550</td></tr><tr><td>2010</td><td>1.5319</td><td>0.9720</td></tr><tr><td>2011</td><td>1.9323</td><td>1.1880</td></tr><tr><td>2012</td><td>1.9796</td><td>1.2380</td></tr></tbody></table>	Year	EPS	DPS	2008	0.4380	0.3134	2009	1.3175	0.8550	2010	1.5319	0.9720	2011	1.9323	1.1880	2012	1.9796	1.2380
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Profit attributable to the equity holders reaching new high - Profit attributable to the equity holders increased by 2.4% year-on-year to HK\$20,930 million, a record high since listing. Excluding the impact of Lehman Brothers-related products³, it would have increased by 14.9%. Solid return with sustainable growth - ROE was 14.91%. Excluding the impact of Lehman Brothers-related products, ROE would have been 14.74%, up 0.19 percentage point year-on-year. - ROA was 1.24%. Excluding the impact of Lehman Brothers-related products, ROA would have remained at 1.24%, up 0.23 percentage point year-on-year. Consistent return to shareholders - EPS rose to HK\$1.9796. DPS was HK\$1.238, increasing by 4.2% year-on-year.																																																		

MANAGEMENT'S DISCUSSION AND ANALYSIS



Financial Position																																												
Loan-to-Deposit Ratio ⁴	Capital Adequacy Ratio ⁵	Average Liquidity Ratio ⁶																																										
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Satisfactory loan and deposit growth

- Advances to customers increased by 11.3% while deposits from customers rose by 7.2%. Loan-to-deposit ratio was 63.32%.

Solid capital position to support business growth

- CAR was 16.80%, while core capital ratio stood at 12.31%.

Sound liquidity position

- Average liquidity ratio improved to 41.20%.

Key Operating Ratios		
Net Interest Margin ("NIM")	Cost-to-Income Ratio	Classified or Impaired Loan Ratio ⁷
% 2.00 1.69 1.49 1.32 1.60 2008 2009 2010 2011 2012	% 34.36 46.60 34.84 25.49 31.88 2008 2009 2010 2011 2012	% 0.46 0.34 0.14 0.10 0.26 2008 2009 2010 2011 2012 * as at 31 December

Significant improvement in NIM

- NIM was 1.60%, up 28 basis points year-on-year with improved loan pricing and return on offshore RMB business as well as an eased diluting effect by the RMB clearing bank⁸ business.

Effective cost control

- Cost-to-income ratio was 31.88%, among the lowest in the industry. Excluding the impact of Lehman Brothers-related products, it would have fallen by 2.41 percentage points year-on-year.

Classified or impaired loan ratio at a low level

- Classified or impaired loan ratio stood at a sound level of 0.26%, below the market average.

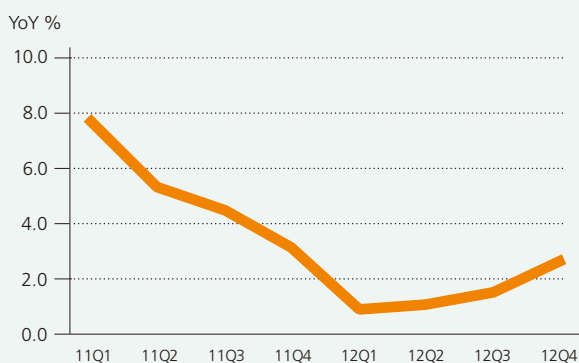
- Return on Average Shareholders' Equity as defined in "Financial Highlights".
- Return on Average Total Assets as defined in "Financial Highlights".
- The net amount of HK\$97 million recovered by the Group in 2012 from the underlying collateral of the Lehman Brothers Minibonds was credited to operating expenses (2011: HK\$2,854 million). The net recovery together with the expenses of Lehman Brothers-related products is referred to as "impact of Lehman Brothers-related products" in the Management's Discussion and Analysis.
- The deposit base also includes structured deposits reported as "Financial liabilities at fair value through profit or loss".
- Capital adequacy ratio is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules. The bases of regulatory capital calculation for credit risk, market risk and operational risk are described in Note 4.5 to the Financial Statements in the Annual Report.
- The average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.
- Classified or impaired loans follow the definitions set out in the Banking (Disclosure) Rules under the Banking Ordinance and represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.
- Since December 2003, the Bank has been appointed as the clearing bank to provide RMB clearing services in Hong Kong.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC BACKGROUND AND OPERATING ENVIRONMENT

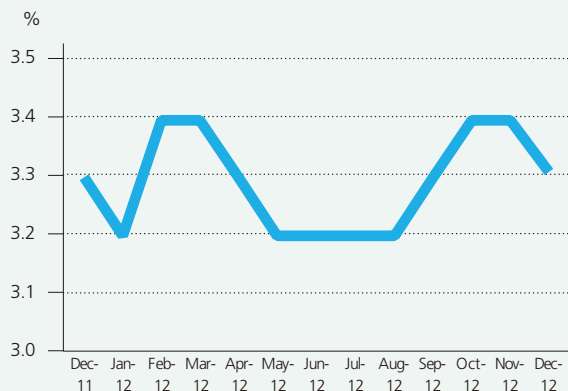
In 2012, the operating environment for Hong Kong's banking industry remained tough. The European debt crisis and the slow recovery of the US economy continued to weigh on the global economy. Economic fundamentals of the Eurozone further deteriorated, although the debt crisis stabilised as the European Central Bank pledged to save the Euro currency. Weak household balance sheets and growing fiscal uncertainties continued to hinder the growth in the US. In view of sluggish demand and high unemployment, the Federal Reserve extended its Operation Twist programme in June and announced an open-ended quantitative easing in September. Market interest rates remained at an extremely low level. On a positive note, the Mainland economy saw cyclical recovery from the marked slowdown earlier in the year with respective growth recorded in industrial production, investment and consumption.

Hong Kong Real GDP Growth Rate



Source: HKSAR Census and Statistics Department

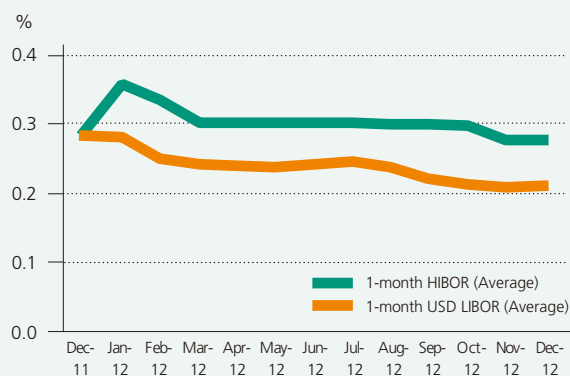
Hong Kong Unemployment Rate



Source: HKSAR Census and Statistics Department

Notwithstanding subdued external demand, the Hong Kong economy continued to grow at a modest pace. The GDP growth in 2012 was 1.4%. The unemployment rate remained at a low level. Inflationary pressure moderated, with the Composite CPI rising by 4.1% year-on-year in 2012.

HIBOR and USD LIBOR



Source: Bloomberg

The low interest rate environment in Hong Kong continued amid the ongoing accommodative monetary policy in the US. Average 1-month HIBOR and USD LIBOR fell slightly from 0.29% and 0.28% in December 2011 to 0.28% and 0.21% respectively in December 2012.

Investment sentiment in the Hong Kong stock market weakened in the first half in view of the deteriorating external environment. Nevertheless, with additional easing measures adopted by the US and the likely pick-up of economic growth in the Mainland, market sentiment improved in the fourth quarter. The Hang Seng Index reached the lowest point of the year at 18,186 in June and closed at 22,657 at the end of 2012, up 22.9% on a yearly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS



The local residential property market was buoyant since March 2012. The up-tick in the property market prompted the government to implement stabilising measures, including further tightening of mortgage criteria, raising Special Stamp Duty rates and extension of the restriction period. As a result, the level of transaction activity moderated towards the end of the year with the number of agreements for sale and purchase for residential building units in 2012 registering a decline over 2011. Meanwhile, the average price of private domestic properties showed a further increase from 2011.

During the year, the offshore RMB business in Hong Kong continued to expand. A series of initiatives were announced to support the development of the business. These included the further relaxation of investment restrictions in relation to the RMB Qualified Foreign Institutional Investors ("RQFII") scheme, the expansion of RMB services to non-Hong Kong residents and the introduction of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone ("Qianhai Cooperation Zone"), a new financial and commercial hub between the Mainland and Hong Kong. From a regulatory perspective, the HKMA revised regulations to enhance the liquidity of the offshore RMB market in Hong Kong. These changes provided banks with more business opportunities and allowed them additional flexibility and liquidity to facilitate offshore RMB transactions.

In summary, the operating environment for the banking industry was highly challenging in 2012. Local economic growth was weak and market competition intensified. Improvement of banks' net interest margin was also restrained by the low interest rate environment. Nevertheless, the further expansion of the offshore RMB business continued to present business opportunities to the banking sector.

Outlook for 2013

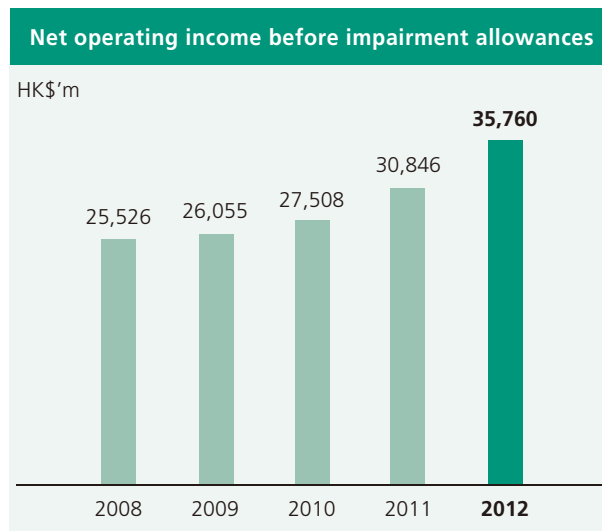
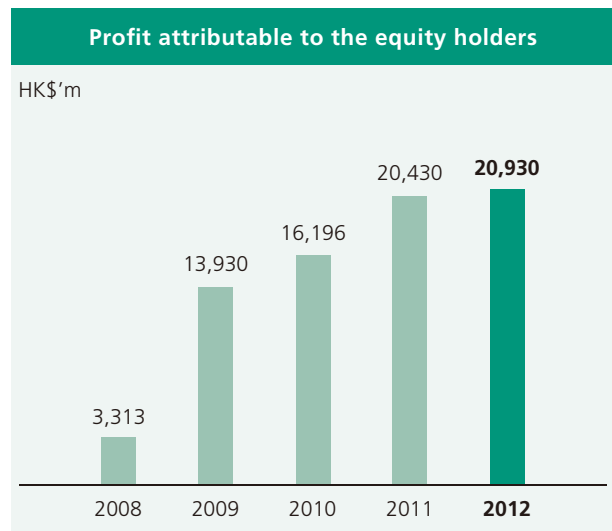
The outlook for the Hong Kong economy in 2013 remains challenging. It is expected that the local economy will continue to benefit from gradual economic recovery in the US and a pick-up in the Mainland, but uncertainties and challenges still exist, particularly in the external environment. The fiscal uncertainty in the US and the further evolvement of the European debt crisis could pose major threats to the global economy and hence external demand for Hong Kong. Domestically, abundant liquidity leading to overheating of the property market and further asset rallies could bring huge volatility in the financial market. At the same time, persistently low interest rates continue to exert pressure on banks' profit. Additional regulatory requirements, including the implementation of Basel III, may increase banks' operating costs.

However, the continuing development of offshore RMB business in Hong Kong will provide new opportunities. New initiatives for the Qianhai Cooperation Zone and RQFII are expected to bring new customers and business opportunities to the banking sector in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL REVIEW

Financial Highlights



HK\$'m	2012	2011
Net operating income before impairment allowances	35,760	30,846
Operating expenses	(11,402)	(7,862)
Operating profit before impairment allowances	24,358	22,984
Operating profit after impairment allowances	23,499	22,478
Profit before taxation	25,521	24,680
Profit attributable to the equity holders of the Company	20,930	20,430

Despite external uncertainties and sluggish demand, the Group achieved encouraging financial results in 2012. By capitalising on its core competencies and proactively managing its assets and liabilities, the Group responded swiftly to market changes and was able to capture new business opportunities. As a result, the Group recorded solid growth in core businesses and saw increased contribution from the offshore RMB businesses. At the same time, it maintained stringent risk management in the challenging environment. The financial position of the Group remains solid with key financial ratios at healthy levels.

The Group's net operating income before impairment allowances increased by HK\$4,914 million or 15.9% to HK\$35,760 million. Net interest income was the major driver, with growth attributable to loan growth with improved yield and better deployment of RMB funds. Net fee and commission income rose slightly. Other income increased, mainly driven by the mark-to-market gain and growth in income from the Group's insurance segment. Operating expenses rose by 45.0%, primarily due to the net recovery from the underlying collateral of the Lehman Brothers Minibonds in 2011. Operating profit before impairment allowances grew by 6.0%. Excluding the impact of the Lehman Brothers related products, it would have increased by 20.2%. Net charge of loan impairment allowances increased while the net gain on investment property revaluation fell year-on-year. As a result, profit attributable to the equity holders of the Company rose by 2.4% compared to 2011. Excluding the impact of Lehman Brothers-related products, profit attributable to the equity holders would have increased by 14.9%.

As compared to the first half of 2012, the Group's net operating income before impairment allowances declined by 3.1% in the second half. The decrease was mainly due to the lower net interest income and the decline in net fee and commission income. It was partially offset by growth in other income. The Group recorded a higher net charge of loan impairment allowances and a lower net gain on investment property revaluation in the second half of the year. Profit attributable to the equity holders decreased by HK\$1,556 million or 13.8% on a half-on-half basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Factors Affecting the Group's Performance in 2012

The key positive factors that contributed to the Group's 2012 financial performance are outlined below:

- The Group's proactive asset and liability management achieved a **healthy growth in both loans and deposits** with **effective control of deposit costs and improved loan pricing**.
- Fee and commission income on **traditional banking businesses** and **funds distribution** performed strongly with double-digit growth.
- The Group successfully captured business opportunities in the **offshore RMB business**. The better deployment of RMB funds is one of the key factors contributing the rise in profit.
- The Group further improved its service capabilities and focused on **operational efficiency**.

The Group's financial performance in 2012 was also subject to the following key negative factors:

- The exceptionally low market interest rates constrained enhancement of the Group's **asset yield**. Intense market competition for deposits also led to higher **funding costs**.
- The uncertain economic prospects resulting in **sluggish demand and lower trade activities** adversely affected the related fee income.

INCOME STATEMENT ANALYSIS

Net Interest Income and Margin

HK\$m, except percentages	2012	2011
Interest income	35,413	31,931
Interest expense	(10,705)	(9,952)
Net interest income	24,708	21,979
Average interest-earning assets	1,542,565	1,662,201
Net interest spread	1.49%	1.24%
Net interest margin [#]	1.60%	1.32%

[#] Net interest margin is calculated by dividing net interest income by average interest-earning assets.

The Group's net interest income increased by HK\$2,729 million or 12.4% year-on-year, driven by widening net interest margin. Average interest-earning assets contracted by HK\$119,636 million or 7.2%, mainly due to the drop in participating banks' RMB deposits with the clearing bank. Net interest margin was 1.60%, up 28 basis points compared to 2011, with net interest spread increasing by 25 basis points and contribution from net free funds rising by 3 basis points.

The growth in net interest margin was mainly attributable to improved return from the offshore RMB business and eased dilution by the Group's RMB clearing bank business. The return from the offshore RMB business improved with the increased deployment of RMB funds in loans and advances and bonds. In previous periods, the Group's RMB clearing bank business had a lower average spread than other businesses and dragged on overall net interest margin. In line with new developments in the offshore RMB market, participating banks reduced their RMB deposits with the clearing bank. As a result, the diluting effect of the Group's RMB clearing bank business on net interest margin was insignificant in 2012. Meanwhile, the pricing of corporate and residential mortgage loans improved, but the positive impact was partially offset by rising deposit costs amid keen market competition and increase in lower yielding investments in short-term debt securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The summary below shows the average balances and average interest rates of individual categories of assets and liabilities:

	Year ended 31 December 2012		Year ended 31 December 2011	
	Average balance HK\$'m	Average yield %	Average balance HK\$'m	Average yield %
ASSETS				
Balances and placements with banks and other financial institutions	335,842	2.43%	571,705	1.48%
Debt securities investments	471,662	2.07%	420,154	2.35%
Loans and advances to customers	720,488	2.38%	654,802	2.04%
Other interest-earning assets	14,573	1.71%	15,540	1.50%
Total interest-earning assets	1,542,565	2.29%	1,662,201	1.92%
Non interest-earning assets	191,823	–	161,788	–
Total assets	1,734,388	2.04%	1,823,989	1.75%

	Average balance HK\$'m	Average rate %	Average balance HK\$'m	Average rate %
LIABILITIES				
Deposits and balances from banks and other financial institutions	143,219	0.68%	378,841	0.77%
Current, savings and fixed deposits	1,112,820	0.81%	1,023,278	0.61%
Subordinated liabilities	28,678	1.09%	27,800	2.02%
Other interest-bearing liabilities	44,012	0.92%	39,403	0.50%
Total interest-bearing liabilities	1,328,729	0.80%	1,469,322	0.68%
Non interest-bearing deposits	83,588	–	69,877	–
Shareholders' funds* and non interest-bearing liabilities	322,071	–	284,790	–
Total liabilities	1,734,388	0.62%	1,823,989	0.55%

* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Second Half Performance

Compared to the first half of the year, net interest income decreased by HK\$530 million, or 4.2%, to HK\$12,089 million. Average interest-earning assets dropped slightly by 0.3%. Net interest margin was 1.56%, down 8 basis points half-on-half. Average asset yields of debt securities and interbank placements were lower with the decline in market interest rates. Rising RMB customer deposit costs amid keen market competition, coupled with increase in lower yielding investments in short-term debt securities also put pressure on net interest margin. Meanwhile, RMB bonds and loans continued to increase while the pricing of corporate and residential mortgage loans also improved in the second half.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Net Fee and Commission Income

HK\$'m	2012	2011
Credit cards business	3,307	2,887
Securities brokerage	2,114	2,782
Loan commissions	1,628	1,160
Insurance	965	1,097
Bills commissions	736	854
Payment services	667	637
Funds distribution	540	337
Trust and custody services	360	379
Safe deposit box	228	211
Currency exchange	156	156
Others	409	358
Fee and commission income	11,110	10,858
Fee and commission expenses	(3,204)	(3,025)
Net fee and commission income	7,906	7,833

Net fee and commission income increased by HK\$73 million, or 0.9%, to HK\$7,906 million. Fee and commission income from loans, credit cards and funds distribution grew strongly. The increase, however, was mostly offset by the decline of commission income from securities brokerage, insurance and bills, reflecting the subdued investors' sentiment and trade activities. Loan commissions surged by 40.3%, driven by higher commissions from corporate loans. Fee income from the credit card business grew by 14.5%, driven by the increase of 10.9% and 14.6% respectively in cardholder spending and merchant acquiring volume. Commission from funds distribution rose substantially by 60.2% with the Group's strong performance in the distribution of RQFII funds and its continuous efforts in developing products to meet customers' needs. Meanwhile, fee income from payment services also registered growth.

Second Half Performance

Compared to the first half of 2012, net fee and commission income decreased by HK\$298 million or 7.3% in the second half. Fee and commission income from the credit card business and funds distribution saw continued growth momentum from the first half. However, loan commissions dropped from a high level in the first half and insurance commission income decreased.

Net Trading Gain

HK\$'m	2012	2011
Foreign exchange and foreign exchange products	1,988	1,430
Interest rate instruments and items under fair value hedge	900	12
Equity instruments	120	82
Commodities	121	186
Net trading gain	3,129	1,710

Net trading gain was HK\$3,129 million, up HK\$1,419 million or 83.0% year-on-year. Reduction in foreign exchange loss on foreign exchange swap contracts* was the major driver for the increase in net trading gain from foreign exchange and foreign exchange products. This was partly offset by the lower gain from currency exchange activities. The growth in net trading gain from interest rate instruments and items under fair value hedge was mainly attributable to the mark-to-market changes on certain interest rate instruments, caused by market interest rate movements. The growth in net trading gain from equity instruments was mainly attributable to the gain from equity-linked products that were well received by customers. The decrease in trading gain from commodities was due to the decline in bullion transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Half Performance

Compared to the first half of 2012, net trading gain increased by HK\$313 million or 22.2%. This was mainly due to the mark-to-market changes of foreign exchange swap contracts and certain interest rate instruments.

* Foreign exchange swap contracts are usually used for the Group's liquidity management and funding activities. Under the foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity at a predetermined rate (forward transaction). In this way, surplus funds in original currency are swapped into another currency for liquidity and funding purposes without any foreign exchange risk. The exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss (as included in "net trading gain/(loss)"), while the corresponding interest differential between the surplus funds in original currency and swapped currency is reflected in net interest income.

Net Gain/(Loss) on Financial Instruments Designated at Fair Value through Profit or Loss (FVTPL)

HK\$'m	2012	2011
Banking business of the Group	42	(1)
BOC Life	705	(339)
Net gain/(loss) on financial instruments designated at fair value through profit or loss	747	(340)

The Group recorded a net gain of HK\$747 million on financial instruments designated at FVTPL this year, compared to a net loss recorded in the previous year. The net gain in 2012 was mainly attributable to the mark-to-market changes of debt securities and the gain from equity investments of BOC Life, compared to the net loss in 2011 amid the weak financial market. The changes in market value of its securities portfolio were substantially offset by the corresponding changes in policy reserves, as reflected in the changes in net insurance benefits and claims which were attributable to the movement of market interest rates.

Second Half Performance

Net gain on financial instruments designated at FVTPL in the second half of the year was HK\$561 million, up HK\$375 million half-on-half. The gain recorded in the second half of the year was mainly attributable to the improved performance of BOC Life's investment portfolio amid the recovering financial market.

Operating Expenses

HK\$'m	2012	2011
Staff costs	6,406	6,038
Premises and equipment expenses (excluding depreciation)	1,456	1,390
Depreciation on owned fixed assets	1,493	1,277
Other operating expenses	2,143	1,954
Core operating expenses	11,498	10,659
Impact of Lehman Brothers-related products*	(96)	(2,797)
Total operating expenses	11,402	7,862

	At 31 December 2012	At 31 December 2011
Staff headcount measured in full-time equivalents	14,638	14,475

* Refer Note 12 to the Financial Statements in the Annual Report for details.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Total operating expenses increased by HK\$3,540 million, or 45.0%, to HK\$11,402 million, as there was a larger net recovery from the underlying collateral of the Lehman Brothers Minibonds in 2011. Core operating expenses rose by HK\$839 million, or 7.9%. The Group focused on operational efficiency and maintained disciplined cost control while continuing to invest in new business platforms and Mainland operations to support long-term business growth.

Staff costs increased by 6.1%, reflecting higher salaries as a result of annual salary increment and increase in headcount in the Mainland business.

Premises and equipment expenses rose by 4.7% with higher rental for branches in Hong Kong and the Mainland.

Depreciation on owned fixed assets rose by 16.9% due to larger depreciation charge on premises following upward property revaluation in Hong Kong and on IT equipment as the Group continued to invest in its IT infrastructure.

Other operating expenses were up 9.7% mainly due to higher expenses to support business growth, such as marketing expenses, and business taxes of NCB (China).

Compared to the end of 2011, headcount measured in full-time equivalents rose by 163, mostly in the Mainland business as a result of the expansion of NCB (China).

Second Half Performance

Compared to the first half of 2012, operating expenses rose by HK\$620 million. The increase was due to higher staff costs, marketing, rental and depreciation expenses, as well as business taxes of the Mainland business in the second half of the year.

Net Charge of Loan Impairment Allowances

HK\$'m	2012	2011
Net charge of allowances before recoveries		
– individual assessment	(512)	(12)
– collective assessment	(606)	(720)
Recoveries	264	353
Net charge of loan impairment allowances	(854)	(379)

The Group maintained stringent risk management in a volatile economic environment. Overall loan quality remained sound. The net charge of loan impairment allowances amounted to HK\$854 million, up HK\$475 million from previous year, owing to the increase in the net charge of individually assessed impairment allowances.

Net charge of individually assessed impairment allowances increased to HK\$512 million, mainly caused by the downgrade of a few corporate loans.

Net charge of collectively assessed impairment allowances decreased year-on-year. The higher net charge in 2011 was largely due to the stronger loan growth.

Recoveries amounted to HK\$264 million, down HK\$89 million or 25.2% from 2011.

Second Half Performance

A net charge of loan impairment allowances of HK\$767 million was recorded in the second half of 2012, up from a net charge of HK\$87 million in the first half. The increase was mainly due to a higher net charge of individual assessed impairment allowances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total loan impairment allowances as a percentage of gross advances to customers

	At 31 December 2012	At 31 December 2011
Loan impairment allowances		
– individual assessment	0.10%	0.03%
– collective assessment	0.38%	0.37%
Total loan impairment allowances	0.48%	0.40%

BALANCE SHEET ANALYSIS

Asset Deployment

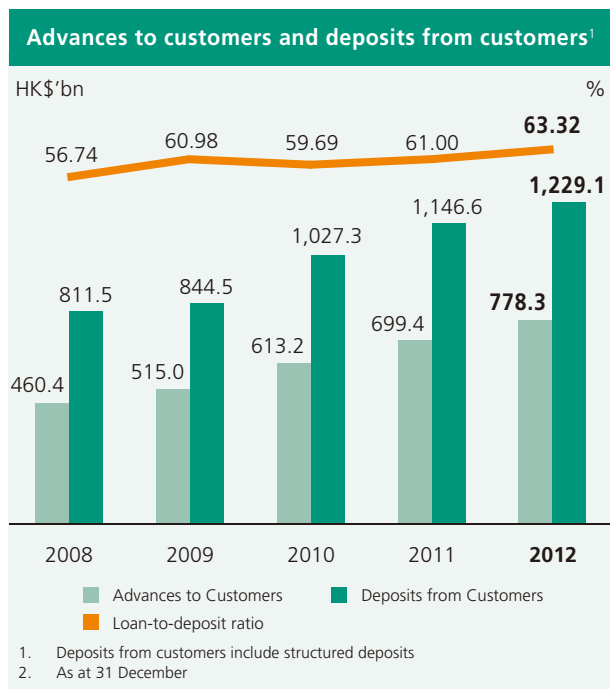
HK\$'m, except percentages	At 31 December 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
Cash and balances with banks and other financial institutions	198,748	10.9%	278,795	16.0%
Placements with banks and other financial institutions maturing between one and twelve months	66,025	3.6%	107,910	6.2%
Hong Kong SAR Government certificates of indebtedness	82,930	4.5%	65,890	3.8%
Securities investments ¹	531,696	29.0%	425,600	24.5%
Advances and other accounts	819,739	44.8%	755,229	43.5%
Fixed assets and investment properties	63,107	3.4%	52,091	3.0%
Other assets ²	68,518	3.8%	52,995	3.0%
Total assets	1,830,763	100.0%	1,738,510	100.0%

1. Securities investments comprise investment in securities and financial assets at fair value through profit or loss.
 2. Interests in associates, deferred tax assets and derivative financial instruments are included in other assets.

As at 31 December 2012, the Group's total assets amounted to HK\$1,830,763 million, increasing by HK\$92,253 million or 5.3% from the end of 2011. In 2012, the Group continued to strengthen its asset and liability management with the aim to improve profitability and enhance its risk profile. It maintained a balanced strategy in business growth. Conscious efforts were made to enhance loan pricing, control funding costs and optimise asset allocation.

Key changes in the Group's total assets include:

- Cash and balances with banks and other financial institutions decreased by 28.7%, mainly due to the decrease in RMB funds placed with the People's Bank of China ("PBOC") by BOCHK's clearing business as participating banks' RMB deposits with the clearing bank continued to decline.
- Placements with banks and other financial institutions maturing between one and twelve months dropped by 38.8% as the Group redeployed its funds for advances to customers and securities investments.
- Securities investments increased by 24.9% with increase mainly in government-related bonds, high-quality financial institutions and corporate bonds.
- Advances and other accounts rose by 8.5%, which was mainly attributable to the growth in advances to customers by 11.3%.
- Other assets grew strongly by 29.3%, which was mainly led by the increase in reinsurance assets, derivative financial instruments as well as accounts receivable and prepayments.



Advances to Customers

HK\$'m, except percentages	At 31 December 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
Loans for use in Hong Kong	480,753	61.8%	444,540	63.6%
Industrial, commercial and financial	252,877	32.5%	237,557	34.0%
Individuals	227,876	29.3%	206,983	29.6%
Trade finance	67,137	8.6%	59,508	8.5%
Loans for use outside Hong Kong	230,374	29.6%	195,331	27.9%
Total advances to customers	778,264	100.0%	699,379	100.0%

Despite the global economic slowdown, the Group continued to capitalise on its strong customer base and financial position to capture loan growth opportunities. At the same time, it adhered to stringent risk control and customer selection to achieve quality and sustainable growth. Advances to customers grew by HK\$78,885 million or 11.3% to HK\$778,264 million in 2012.

Loans for use in Hong Kong grew by HK\$36,213 million or 8.1%.

- Lending to the industrial, commercial and financial sectors increased by HK\$15,320 million, or 6.4%, to HK\$252,877 million, covering a wide range of industries. Lending to the information technology, manufacturing and property investment sectors grew by 33.1%, 25.4% and 5.6% respectively.
- Lending to individuals increased by HK\$20,893 million, or 10.1%. Residential mortgage loans (excluding those under the Government-sponsored Home Ownership Scheme) grew by 9.9% as the Group captured the growth opportunities arising from the revival of the local residential property market. Credit card advances increased by 19.5%. Other loans to individuals rose by 20.1%.

Trade finance rose by HK\$7,629 million, or 12.8%. Meanwhile, loans for use outside Hong Kong grew by HK\$35,043 million or 17.9%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Half Performance

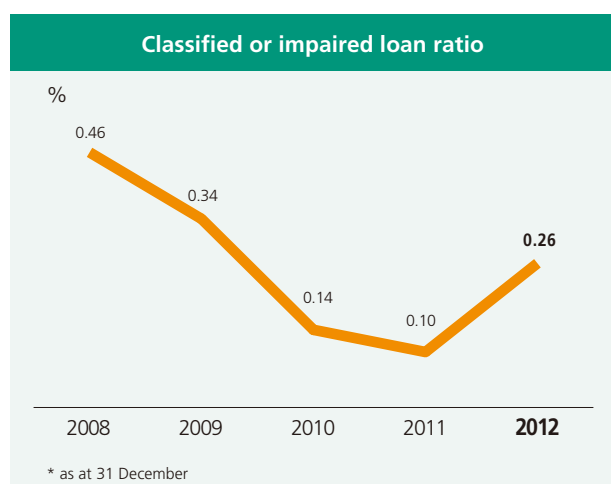
Loan growth slowed down in the second half of the year against the backdrop of slowing economic growth. The Group's advances to customers increased by HK\$31,512 million or 4.2%, mainly driven by the growth in lending to individuals and loans for use outside Hong Kong.

Loan Quality

HK\$m, except percentages	At 31 December 2012	At 31 December 2011
Advances to customers	778,264	699,379
Classified or impaired loan ratio	0.26%	0.10%
Impairment allowances	3,705	2,830
Regulatory reserve for general banking risks	7,754	6,967
Total allowances and regulatory reserve	11,459	9,797
Total allowances as a percentage of advances to customers	0.48%	0.40%
Impairment allowances ¹ on classified or impaired loan ratio	37.44%	39.86%
Residential mortgage loans ² – delinquency and rescheduled loan ratio ³	0.02%	0.01%
Card advances – delinquency ratio ³	0.17%	0.16%

	2012	2011
Card advances – charge-off ratio ⁴	1.24%	1.07%

- Referring to impairment allowances on loans classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.
- Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchasing schemes.
- Delinquency ratio is measured by a ratio of total amount of overdue loans (more than three months) to total outstanding loans.
- Charge-off ratio is measured by a ratio of total write-offs made during the year to average card receivables during the year.



The Group's overall loan quality remained sound. The classified or impaired loan ratio was at 0.26%. Classified or impaired loans rose by HK\$1,344 million to HK\$2,054 million, mainly due to the downgrade of a few corporate loans. Formation of new classified loans in 2012 represented approximately 0.26% of total loans outstanding.

Total impairment allowances, including both individual assessment and collective assessment, amounted to HK\$3,705 million. Total impairment allowances on classified or impaired loans as a percentage of total classified or impaired loans was at 37.44%.

The credit quality of the Group's residential mortgage loans remained sound with the combined delinquency and rescheduled loan ratio standing at 0.02% at the end of 2012. As compared to 2011, the charge-off ratio of card advances increased by 0.17 percentage point to 1.24%, better than the market average.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Deposits from Customers*

HK\$'m, except percentages	At 31 December 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
Demand deposits and current accounts	97,295	7.9%	77,440	6.7%
Savings deposits	603,565	49.1%	504,868	44.0%
Time, call and notice deposits	525,430	42.8%	563,643	49.2%
	1,226,290	99.8%	1,145,951	99.9%
Structured deposits	2,841	0.2%	639	0.1%
Deposits from customers	1,229,131	100.0%	1,146,590	100.0%

* Including structured deposits.

The Group maintained a proactive deposit strategy to support business growth with cautious control of funding costs. In spite of intense competition, the Group enlarged its deposit base by HK\$82,541 million, or 7.2% to HK\$1,229,131 million. Demand deposits and current accounts grew by 25.6% while savings deposits increased by 19.5%. Time, call and notice deposits fell by 6.8%. The Group's loan-to-deposit ratio was 63.32% at the end of 2012, up 2.32 percentage points from the end of last year.

Second Half Performance

Total deposits from customers increased by HK\$43,850 million or 3.7% in the second half of 2012. Demand deposits and current accounts increased strongly by 31.5% while savings deposits went up by 15.0%. Time, call and notice deposits declined by 10.1%.

Capital and Reserves Attributable to the Equity Holders of the Company

HK\$'m	At 31 December 2012	At 31 December 2011
Share capital	52,864	52,864
Premises revaluation reserve	31,259	23,150
Reserve for fair value changes of available-for-sale securities	5,510	1,787
Regulatory reserve	7,754	6,967
Translation reserve	771	674
Retained earnings	52,811	44,323
Reserves	98,105	76,901
Capital and reserves attributable to the Equity Holders of the Company	150,969	129,765

Capital and reserves attributable to the equity holders increased by HK\$21,204 million, or 16.3% to HK\$150,969 million at 31 December 2012. Retained earnings increased by 19.2%, reflecting the 2012 profit after the appropriation of dividends. Premises revaluation reserve increased by 35.0%, which was attributable to the increase in property prices in 2012. Regulatory reserve rose by 11.3% due to loan growth. Reserve for fair value changes of available-for-sale securities increased by 208.3%, mainly due to the changes in market interest rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital and Liquidity Ratio

HK\$m, except percentages	At 31 December 2012	At 31 December 2011
Core capital after deductions	89,096	84,600
Supplementary capital after deductions	32,452	29,654
Total capital base after deductions	121,548	114,254
Total risk-weighted assets	723,699	676,024
Capital adequacy ratios (consolidated basis)		
Core capital ratio	12.31%	12.51%
Capital adequacy ratio	16.80%	16.90%

	2012	2011
Average liquidity ratio	41.20%	36.17%

Consolidated capital adequacy at 31 December 2012 was 16.80%, down 0.10 percentage point from that at the end of 2011. Total capital base expanded by 6.4% to HK\$121,548 million, mainly due to the increase in retained earnings. Total risk-weighted assets increased by 7.1% to HK\$723,699 million. The increase was mainly due to the growth of credit risk-weighted assets in light of the growth in loans and debt securities investments in 2012. The increase was counterbalanced by the effect of no additional risk-weighted amount required for the capital floor adjustment as the Group's capital charges for the year exceeded the required capital floor amount*.

For information on the components of total capital base and type of capital instruments used, please refer to Note 4.5 and 41 to the Financial Statements in the Annual Report.

The average liquidity ratio in 2012 remained strong at 41.20%.

* The HKMA requires that all reporting institutions using the IRB approach (whether foundation or advanced) for capital adequacy purposes are subject to a capital floor for the first three years of the adoption of the IRB approach. The use of the capital floor is to prevent a sudden fall in capital charges solely as a result of the changes in how the risk-weighted amount for credit risk is measured. The capital floor is derived by applying an adjustment factor to the capital charge calculated under the STC approach where the adjustment factors are 90%/80%/70% for the respective 1st/2nd/3rd year of the implementation of IRB approach. As at 31 December 2012 and in its second year of the implementation of IRB approach, the Group's capital charges exceeded the capital floor amount as required by the HKMA and therefore no additional risk-weighted amount was required for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS



BUSINESS REVIEW

2012 Business Highlights

Personal Banking

- Maintained leading position in residential mortgages with a larger market share
- Commission income from funds distribution surged by 60.2% through widened and customer-oriented product offerings and enhanced sales model
- Introduced three new funds through BOCHK Asset Management Limited
- Consolidated Wealth Management platform and launched Private Banking service to high-net-worth customers
- Achieved strong growth in credit card business with credit card advances rising by 19.5%
- Continued to invest in servicing capabilities via branches, electronic means and cross-border connection to elevate customer experience
- Received "Best Internet Banking" and "Best Mobile Telephone Banking" awards under the Capital Weekly Service Awards 2012

Corporate Banking

- Remained the top mandated arranger in the Hong Kong-Macau syndicated loan market
- Recorded a healthy growth of 11.6% in corporate loans with improvement in pricing
- Received "SME's Best Partner Award" for the fifth consecutive year
- Further expanded the range of cash management services and launched the new corporate internet banking platform, BOCNET HK
- Expanded the client base for custody services with BOCHK being named the "Best Asian Bank for Cross-Border Custody" in the AsianInvestor Service Provider Awards 2012

Treasury

- Proactively adjusted portfolio mix to enhance return while staying attuned to risk. Increased investments in government-related bonds, high-quality financial institutions and corporate bonds as well as RMB-denominated bonds
- Extended the overseas RMB banknotes business and established business relationships with banks, financial institutions and non-bank institutions in different countries and regions

Insurance

- Maintained leading position in RMB insurance market in Hong Kong
- Improved product features and varieties to meet changing customer needs
- Granted approval to invest directly in the Mainland's interbank bond market

Mainland Business

- Focused on asset and liability management to improve asset yields and deposit mix
- Expanded branch network to a total of 36 at end-2012 with the addition of nine new sub-branches
- "Channel Sharing" with BOC garnered satisfactory business growth and became a vital service channel
- SME business platform achieved success with strong business momentum

RMB Business in Hong Kong

- Maintained leading position in offshore RMB banking businesses, including deposit taking, trade settlement, bond underwriting, credit card and insurance
- Arranged the first 100% RMB-denominated syndicated loan
- Launched RMB services to non-Hong Kong residents from August 2012
- Remained the largest service provider for RQFII authorised funds in the market
- Launched three new offshore RMB bond sub-indices
- Extended operating hours of the RMB RTGS system

Others

- BOCHK Asset Management Limited established exclusive partnerships for the provision of investment services with the World Bank in Hong Kong, a prestigious private bank in Germany and a reputable asset management company in Taiwan
- BOCHK Asset Management Limited was granted five prestigious "2012 Best of the Best Awards" by Asia Asset Management

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Segment Performance

Profit before Taxation by Business Segments

HK\$'m, except percentages	2012		2011	
	Amount	% of total	Amount	% of total
Personal Banking	5,513	21.6%	4,896	19.8%
Corporate Banking	9,725	38.1%	8,636	35.0%
Treasury	8,382	32.8%	6,515	26.4%
Insurance	609	2.4%	33	0.1%
Others ¹	1,292	5.1%	4,600	18.7%
Total profit before taxation	25,521	100.0%	24,680	100.0%

1. Profit before taxation of Others in 2012 and 2011 included the net recovery from the underlying collateral of the Lehman Brothers Minibonds.
2. For additional segmental information, see Note 10 to the Summary Financial Statements.

PERSONAL BANKING

Financial Results

Personal Banking recorded an increase of HK\$617 million, or 12.6%, in profit before taxation.

Net interest income increased notably by 15.5%. This was made possible by the improvement in deposit spread coupled with the growth in average loans and deposits. Personal loans and customer deposits grew by 10.7% and 10.9% respectively from last year end.

Net fee and commission income decreased by 2.4%, mainly due to the lower commission income from securities brokerage as investors' sentiment weakened. Nevertheless, there was strong growth in fee income from funds distribution and credit cards. Net trading gain dropped by 4.1%, due to lower foreign exchange related income.

Business operation

The Group's Personal Banking business continued to flourish in 2012. Growth was satisfactory in both the deposit and lending businesses. It remained the market leader in new mortgage loans and gained a larger market share in its loan outstanding. The funds and bond distribution businesses performed strongly. In addition to the Group investing in service enhancement and consolidating its wealth management business, the new Private Banking service was launched to provide unique and tailor-made services targeted at high-net-worth customers. Distribution channels were further optimised to enhance customer experience.

Residential mortgages – gaining a larger market share

With the widest range of products and dedicated services across all channels, the Group was the bank of choice and the market leader in new mortgage loans during the year. The "1 Day Approval Mortgage Services" was the first-of-its-kind in the market, allowing eligible home buyers to obtain formal approval of their mortgage loan applications within one business day. RMB mortgage services to non-Hong Kong residents was also the first in the market. At the end of 2012, the balance of the Group's mortgage book grew by 9.9% compared with the end of last year.

Investment and insurance businesses – robust growth in the sales of funds and bonds

In 2012, sentiment in the local stock market was adversely affected by the external environment. Nevertheless, the Group continued to expand its stock brokerage services to reinforce its strong position in the personal securities business. In addition to maintaining stable trading environments through various channels, including internet, mobile and phone banking as well as at branches, new services continued to be rolled out during the year to strengthen the Group's service range. IPO share subscriptions and IPO financing through mobile banking were launched to give convenience to customers. The "Personalised Securities Services" was introduced to provide high-end customers with more flexible and convenient trading services. The Group also launched the new "Securities Club" which provides services suited to the needs of customers of various segments.

MANAGEMENT'S DISCUSSION AND ANALYSIS



With regards to the funds distribution business, the Group rolled out new products to both high-end and mass retail customers. A private fund, the “BOCHK Asian Dynamic Income Fund”, and two retail funds, the “BOCHK-World Bank Emerging Markets Bond Fund” and the “BOCHK All Weather Global Opportunities Fund”, were launched. During the year, the Group distributed 14 RQFII funds, making it the largest distributor of RQFII funds in Hong Kong. As a result, commission income from funds distribution surged by 60.2% year-on-year. The Group also actively engaged in the bond distribution business. It underwrote a significant number of RMB bond issuances in the market with a substantial increase in turnover compared with 2011. At the same time, considerable effort was put into diversifying the business by engaging in USD and HKD bond issuance, which was well received by customers. The Group's private placement services for bonds in the secondary market were launched in January 2012. Meanwhile, the Group led the iBond market in terms of over-the-counter turnover. As a result, the Group achieved considerable improvement in commission from bond distribution.

In the Bancassurance business, the Group strengthened its position as a prominent life insurance provider and maintained its lead in the RMB insurance market. It continued to roll out different new products to meet customers' demand at different life stages and aimed to be the life partner of all customers. The “IncomeGrowth Annuity Insurance Plan” was introduced to offer life protection with guaranteed annuity payments. Professional training programmes were conducted throughout the year to develop the financial planning team's sales capabilities.

Credit card business – double-digit volume growth

The Group's credit card business sustained its growth momentum in 2012. It maintained its leadership in the China UnionPay merchant acquiring business and card issuing business. Dual currency credit cards were offered to Hong Kong and non-Hong Kong residents. The Group continued to exploit its competitive edge by launching appealing merchant offer programmes to customers through its comprehensive merchant network in Hong Kong, Macau and the Mainland. Credit card advances rose by 19.5%. Cardholder spending and merchant acquiring volumes grew by 10.9% and 14.6% respectively.

Wealth Management service – one-stop wealth management solutions

In 2012, the Group consolidated its Wealth Management service platform to strengthen its brand awareness and position in the market. It strived to foster long-term relationships with Wealth Management customers by offering more diverse services and customised solutions to meet their different needs. In addition, the Group launched Private Banking services to cater to the more sophisticated needs of high-net-worth customers and fulfil increasing demand for premium services in the Mainland and the rest of Asia. The Group also strengthened cooperation with BOC branches to provide banking services with extra convenience to customers of the two banks. The linkage of BOCHK's customer service hotline with that of BOC was completed, providing cross-border enquiry services between the two banks. The Group also launched “Time Housekeeper” service, allowing Wealth Management customers of BOCHK and BOC's branches in Guangdong province to perform designated services in selected branches in either region by advanced appointment. At the end of 2012, the total number of Wealth Management customers and the value of their assets under management increased by 6.7% and 18.0%, respectively, from end-2011.

Distribution channels – a new concept branch was grandly opened

The Group continued to optimise its distribution channels to meet the needs of both local and cross-border customers. During the year, a brand new concept branch, in a unique and contemporary design, was opened in Causeway Bay, to enhance customer service experience. At the end of 2012, the Group's service network in Hong Kong comprised 269 branches, including 140 wealth management centres.

The Group further invested in automated banking channels. In April, it launched Hong Kong's first chip-based ATM card with enhanced security and new banking service functions. The features of the Group's e-Banking platform were expanded, including the use of a new security device for two-factor authentication.

In recognition of its well-received electronic platform and outstanding services, the Group was honoured with the “Best Internet Banking” award for the fourth consecutive year and the “Best Mobile Telephone Banking” award for the second consecutive year under the Capital Weekly Service Awards 2012. The Group also received the “2012 APCCAL Recognition Award – HKCCA Awards Best Contact Centre in Sustainability” by Asia Pacific Contact Centre Association Leaders (“APCCAL”) and 11 other awards by the Hong Kong Call Centre Association (“HKCCA”).



MANAGEMENT'S DISCUSSION AND ANALYSIS

CORPORATE BANKING

Financial Results

Corporate Banking recorded a growth of HK\$1,089 million, or 12.6%, in profit before taxation. This was mainly attributable to the increase in net interest income as well as net fee and commission income.

Net interest income rose by 14.0%, mainly driven by the growth of loans and deposits. Corporate loans and customer deposits grew by 11.6% and 3.3% respectively.

Net fee and commission income increased by 13.4%, largely led by the growth in loan commissions and trust services, which was partly set off by the decline of bills commissions. Net trading gain rose by 22.1%, mainly attributable to higher income from foreign exchange services.

Business operation

Despite sluggish demand from corporates, the Group's Corporate Banking business maintained its growth momentum in 2012. It strived to provide "Total Solutions", with a full range of financial services, including innovative trade-related products and "Integrated Branches for Commercial Business", to better serve customers' needs. As a result, corporate loans grew satisfactorily with improvement in loan pricing. The Group also made good progress in its custody and cash management businesses. It was the largest custody service provider for RQFII authorised funds in the market. The service range of the cash management business was significantly expanded and the new corporate internet banking platform, BOCNET HK, was successfully launched.

Corporate lending business – 11.6% growth of corporate loans

The Group continued to focus on providing "Total Solutions" for core customers, and tailor-made services to large corporates and public sector entities. The Group also worked closely with BOC through the "Global Relationship Manager Programme" to provide comprehensive cross-border services to its customers. It strengthened customer relationships by enhancing expertise in industry management with better customer segmentation. At the end of 2012, the Group's balance of corporate loans grew by 11.6% from the end of 2011 with improvement in loan pricing. In 2012, the Group successfully arranged the first 100% RMB-denominated syndicated loan in Hong Kong and it remained the top mandated arranger in the Hong Kong-Macau syndicated loan market.

SME business – "SME's Best Partner Award" for the fifth consecutive year

The Group enhanced its services for SME customers by offering total solutions and participating actively in the new "SME Financing Guarantee Scheme" supported by the HKSAR government. It optimised the business model of "Integrated Branches for Commercial Business" by establishing exclusive counters in selected branches and launching the "Business Integrated Account" to provide one-stop financial solutions to SME companies and their proprietors, partners and shareholders. In recognition of its long-standing support for SMEs in Hong Kong, the Group received for the fifth consecutive year the "SME's Best Partner Award" presented by the Hong Kong General Chamber of Small and Medium Business Limited.

Trade finance – launched innovative products

The Group further enhanced its competitiveness in the trade finance business and led the market in product innovation. New products and services launched this year included "RMB Offshore Export Finance" and "Supply-chain Finance". In recognition of its contribution to the shipping industry by offering the innovative "Multi-currency Shipping Finance (RMB and USD)", the Group was granted the "Innovation Award – Business Innovation" by Lloyd's List Global Awards 2012. The Lloyd's List is a leading daily newspaper in the global maritime industry. The provision of this finance product has marked a number of milestones for the Group in the industry, including the first export shipping contract settled in RMB and issuance of the first cross-border RMB Refund Guarantee. At the end of 2012, the Group's balance of trade finance grew by 12.8% from the end of 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Cash Management service – expanded service range

The Group made solid progress in developing its cash management business. BOCNET HK, a new corporate internet banking platform targeting medium to large corporates, was launched to meet cash management needs as well as provide comprehensive e-banking services. “Business Integrated Account” was introduced during the year to provide better banking services to its corporate customers. The intra-day cash pooling service was launched to facilitate the development of internal cash pools by corporate customers for better internal cash flow management. In addition, the Group introduced “SWIFT for Corporate Service” to allow corporate customers to give instructions and communicate with the bank via the SWIFT network.

Custody service – further expansion of client base

The Group’s custody business continued to flourish in 2012. It successfully secured mandates from a number of RQFII fund products during the year and was the largest service provider for RQFII authorised funds in the market. It continued to expand its institutional client base and secured mandates to provide global custody services to various Qualified Domestic Institutional Investors. In recognition of its outstanding cross-border custody capabilities and services, BOCHK won the “Best Asian Bank for Cross-Border Custody” in the AsianInvestor Service Provider Awards 2012. At the end of 2012, excluding the RMB fiduciary account for participating banks, total assets under the Group’s custody were valued at HK\$619 billion.

Risk management – proactive measures to safeguard asset quality

The Group continued to carry out rigorous risk management and credit control to safeguard asset quality in a volatile economic environment. Through frequent and comprehensive market and industry analysis, the Group has put in place prudent credit standards for corporate lending under the principle of “Know Your Customers”. Furthermore, rigorous post-lending monitoring measures are taken to track early signs of loan deterioration and formulate timely and effective precautionary courses of action.

MAINLAND BUSINESS

Financial performance – encouraging growth

In 2012, the Group’s Mainland business maintained encouraging growth in a challenging banking environment. Customer deposits and loans registered satisfactory growth of 12.8% and 21.2% respectively from the end of last year. Loan quality remained sound. During the year, the PBOC cut benchmark deposit and loan interest rates and adjusted the interest rate floating range. Both of these posed pressure on interest margin of the Mainland business. Nevertheless, the Group swiftly adjusted its asset and liability structure to improve asset yields. As a result, net operating income increased by 17.9%.

Product and service offerings – enhanced product and service capability

In response to the increasing demand for wealth management services, the Group successfully introduced a new series of “Yi Da” wealth management products. The return of these products is linked to interest rates, exchanges rates, gold and commodity prices. The first series of off-balance sheet wealth management products, “Yixiang”, was also launched in the second half of the year. All wealth management products can be accessed through the e-Banking platform. NCB (China) has been granted regulatory approval for the issuance of credit cards in the Mainland. The SME business platform was instrumental to the completion of the “SME Business Win” product series, leading to strong growth in both loans to and deposits from SMEs.

Distribution channels – expanded branch network and channel sharing with BOC

The Group continued to deepen business collaboration with BOC. The “Channel Sharing” model, which allows NCB (China)’s debit card holders to access services through BOC’s branches and ATMs, has been effective in serving its purpose. The model not only boosted deposit growth but also generated more retail banking business, becoming one of the most vital service channels for card holders. Meanwhile, the enhancement of the Group’s e-Banking platforms proved to be successful as the number of new accounts and transaction volume increased significantly. During the year, there was an addition of nine new sub-branches, including eight NCB (China) sub-branches and one sub-Branch of Chiyu Banking Corporation Limited. The Group’s total number of branches and sub-branches in the Mainland increased to 36 by the end of 2012.



MANAGEMENT'S DISCUSSION AND ANALYSIS

TREASURY

Financial Results

Treasury recorded a strong year-on-year increase of 28.7% in profit before taxation.

Net interest income increased by 15.4%. This was mainly driven by an increase in the balance of debt securities investments coupled with the improved yield on interbank placements.

Net trading gain was up 158.7%. The increase was mainly caused by the lower foreign exchange loss on foreign exchange swap contracts and the improved mark-to-market changes of certain interest rate instruments.

Business Operation

Proactive investment strategy – enhanced portfolio return while staying attuned to risk

The Group continued to take a proactive approach in managing its banking book investments. It closely monitored market changes and acted swiftly to adjust its investment portfolio to enhance return while remaining vigilant of risks. In 2012, the Group selectively increased its investments in government-related bonds, high-quality financial institutions and corporate bonds. Meanwhile, the Group also increased its holdings in RMB-denominated bonds.

Product innovation – responsive to customers' needs

The Group remained customer-centric and continued to develop innovative products to meet customers' needs. Various innovative products were introduced during the year and were well-received by customers. New product offerings bundled offshore RMB exchange rate-related and interest rate-related products with deposits, loans and trade finance, thus lowering customers' exchange rate risk and financing costs.

As part of its ongoing efforts to facilitate the development of the offshore RMB bond market, the Group launched three new offshore RMB bond sub-indices. The BOCHK Offshore RMB Chinese Sovereign Bond Index, the BOCHK Offshore RMB Investment Grade Bond Index and the BOCHK Offshore RMB 1 to 3 Years Central Government Bond Index serve as performance benchmarks for the offshore RMB bond market. Meanwhile, the Group remained an active participant in the offshore RMB bond underwriting business, which saw a significant increase in market turnover over 2011.

RMB-clearing bank service – service hours extended to offshore markets

The Group continued to provide strong support in clearing services. The operating hours of the RMB RTGS were extended to cover the working hours in other major financial centres, including those in Europe and the US. Meanwhile, the use of the RMB RTGS system has been extended to a number of overseas participating banks, including BOC's overseas branches across Europe and Asia. These moves not only facilitated the increasing use of RMB for cross-border settlement and payment, but also enhanced the RMB clearing efficiency and service capability of BOCHK.

Banknotes business – global network expansion

The Group continued to cooperate with BOC in extending its overseas RMB banknotes business. The Group has also successfully established banknotes business relationships with other banks, financial institutions as well as non-bank institutions in different countries and regions.

MANAGEMENT'S DISCUSSION AND ANALYSIS



INSURANCE

Financial Results

The Group's Insurance segment registered a profit before taxation of HK\$609 million in 2012 versus HK\$33 million in 2011. The growth was mainly attributable to the improved mark-to-market changes of debt securities and gain from equity investments, compared to an investment loss recorded in 2011 amid the credit volatility in the financial market.

Net insurance premium income grew by 13.5%.

Net charge of impairment allowances on securities investments decreased significantly year-on-year due to the relatively stable environment of credit market in 2012.

Business Operation

Driving growth through product and service enhancement

The Group continued to widen the insurance product range and enhance product features. "IncomeGrowth Annuity Insurance Plan", a major new product providing life protection with guaranteed annuity payments, was launched and well received by customers. A series of training programmes were conducted to improve the sales team's integrated capabilities. BOC Life also carried out several promotional campaigns to promote its product offerings. The sales of unit-linked products registered a satisfactory growth.

Core system migration to improve long-term competitiveness

During the year, BOC Life successfully revamped a life insurance administration system which enhances the speed of service and sales support and hence the overall service quality. This platform is more compatible to the long-term business development of BOC Life.

RMB insurance products – a prominent provider

The Group's leading position in the RMB insurance market was further enhanced through optimisation of and innovation in RMB products. Popular RMB insurance products such as the "Target 5 Years Insurance Plan Series", "Multi-Plus Savings Insurance Plan" and "RMB Universal Life Insurance Plan" continued to attract substantial new business. To cater to customers' needs, the Group launched the RMB denominated "IncomeGrowth Annuity Insurance Plan". During the year, BOC Life was granted the approval to invest directly in the Mainland's interbank bond market, thus facilitating the expansion of RMB assets and the further development of its RMB insurance products. In recognition of its significant contribution to the RMB market, BOC Life has been granted the honour of the "Hong Kong Offshore RMB Centre – 1st RMB Business Outstanding Awards – The Outstanding Insurance Business" organised by Metro Finance and Metro Finance Digital, with Hong Kong Wen Wei Po as the co-organiser.

OTHERS

Asset management service – making solid progress

Following the successful launch of two private RMB bond funds in 2011, the Group introduced three new funds to both high-end and mass retail customers in 2012 through BOCHK Asset Management Limited ("BOCHK AM"), a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited. These included a private fund and two retail funds which were well received by customers. During the year, BOCHK AM established exclusive partnerships for the provision of investment services with the World Bank in Hong Kong, a prestigious private bank in Germany and a reputable asset management company in Taiwan.

In recognition of its outstanding performance since its establishment in December 2010, BOCHK AM has been granted five prestigious "2012 Best of the Best Awards" by Asia Asset Management. The five awards include three Hong Kong and two regional honours. In addition, the RMB bond fund introduced in 2011, the "BOCHK RMB High Yield Bond Fund", was ranked by Bloomberg in 2012 as the best performing offshore RMB bond fund launched globally.



MANAGEMENT'S DISCUSSION AND ANALYSIS

2013 Business Focuses

The year 2013 will bring both challenges and opportunities to the banking sector. The Group will stay highly aware and respond swiftly to market changes while maintaining stringent risk management and control.

To reinforce its strong franchise in the local market, the Group will focus on further enhancing customer experience to meet the needs of existing customers, while at the same time aim to increase penetration of targeted customers. Products and services of new business platforms will be further developed in conjunction with traditional core businesses to enhance the Group's service capabilities and competitive edge.

Leveraging opportunities from the further expansion of the offshore RMB business, the Group will continue to strengthen its core competencies and focus on its comparative advantages in the international arena. At the same time, it will work closely with BOC in cross-border services to enhance the overall service capabilities of the BOC Group.

In the Mainland, the Group will continue to build upon its business infrastructure by encouraging product customisation and innovation, and expanding service capabilities and product offerings to SMEs and personal customers. It will also leverage the competitive advantages of BOC to further extend its business network and increase cooperation.

REGULATORY DEVELOPMENT

Implementation of Basel III

Following the negative vetting of the Banking (Capital) (Amendment) Rules 2012 completed by the Legislative Council, the first phase of Basel III requirements came into operation on 1 January 2013. The rules detail revised capital requirements for all locally-incorporated authorised institutions in Hong Kong with amendments mainly relating to:

1. revisions to both the minimum capital ratio requirement (in terms of expanding the existing capital adequacy ratio into three ratios, namely, a Common Equity Tier 1 capital ratio, a Tier 1 capital ratio, and a Total capital ratio) and the definition of regulatory capital;
2. enhancements to the counterparty credit risk framework, including a revised capital framework for exposures to central counterparties; and
3. amendments on the capital treatment for certain trade financing activities and securities financing transactions.

The implementation of the Basel III Accord will enhance the resilience of the banking system in Hong Kong. The Group has assessed the relevant impact and is well prepared for the implementation of the new capital standards.

Implementation of LM-2 "Sound Systems and Controls for Liquidity Risk Management"

The Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" was issued by the HKMA in 2011. This module provides a detailed description of the system and control standards for the governance, risk management and disclosure of liquidity risk that authorised institutions are expected to have in place. In accordance with the requirements set forth in the module, the Group has embarked to refine the behaviour model and assumptions of existing cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In addition, the Group has a policy in place to manage liquidity even under stressed scenarios. A contingency plan is being established, detailing action plans and relevant procedures and responsibility of relevant departments. For details of the Group's actions taken in response to LM-2, please refer to Note 4.3 to the Financial Statements in the Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS



TECHNOLOGY AND OPERATIONS

In 2012, the Group continued to strengthen its information technology and business operation infrastructure to support business growth and enhance operational efficiency. The Corporate Online Banking system has been revamped to provide a number of functionalities to improve customer experience. The linkage to BOC's global cash management platform was completed to facilitate local and cross-border fund pooling services to multinational enterprises, giving support to establish BOC Group's leading position in global cash management. The Centralised Limit Control and Customer Group Limit Management platform was established to support a more comprehensive review on credit monitoring, risk analysis and reporting. The core system of BOC Life was revamped to make use of additional parameters and simplifies the development of new life insurance products, resulting in development time reduction and time-to-market improvement.

CREDIT RATINGS

As at 31 December 2012	Long-term	Short-term
Standard & Poor's	A+	A-1
Moody's	Aa3	P-1
Fitch	A	F1

On 25 October 2012, Standard & Poor's affirmed the 'A+' long-term and 'A-1' short-term issuer credit ratings on BOCHK. The outlook is stable.

On 2 August 2012, Moody's affirmed 'Aa3' long-term and 'P-1' short-term local and foreign currency bank deposit ratings on BOCHK. The outlook is stable. The Bank Financial Strength Rating is 'C+'.

On 31 October 2012, Fitch Ratings affirmed 'A' long-term and 'F1' short-term foreign currency issuer default ratings on BOCHK. The outlook is stable.

RISK MANAGEMENT

Banking Group

Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business growth and development. The principal types of risks inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in order to achieve its business goals and to meet the expectations of its stakeholders under a controllable risk level. For details of the Group's risk management governance structure, please refer to Note 4 to the Financial Statements in the Annual Report.

Credit Risk Management

Credit risk is the risk of loss arising from that a customer or counterparty will be unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, on- and off-balance sheet exposures of a bank. It arises principally from the lending, trade finance and treasury businesses, and covers inter-bank transactions, foreign exchange and derivative transactions as well as investments in bonds and securities. For details of the Group's Credit Risk Management, please refer to Note 4.1 to the Financial Statements in the Annual Report.

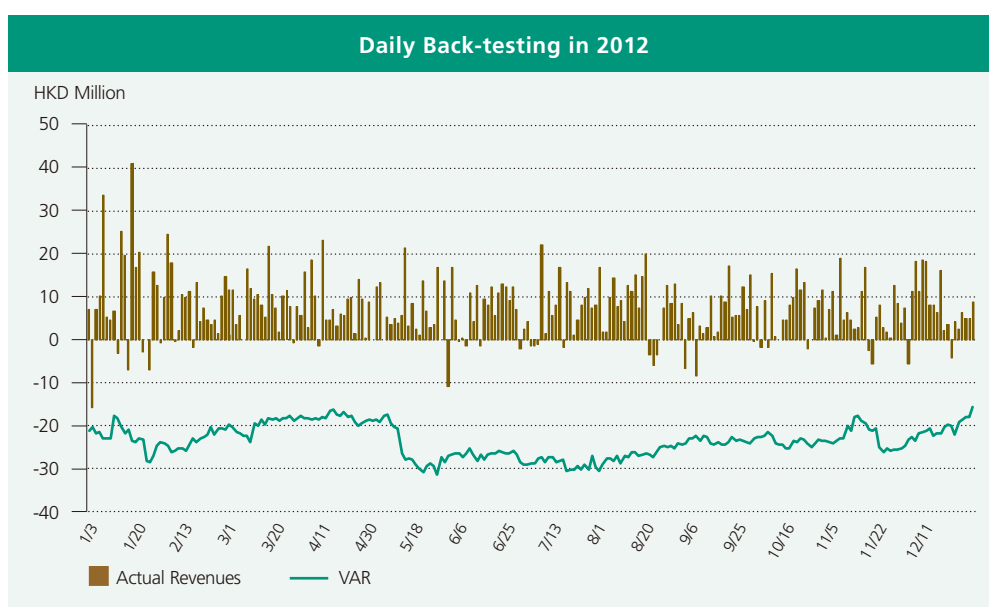
MANAGEMENT'S DISCUSSION AND ANALYSIS

Market Risk Management

Market risk refers to the risk of losses arising from adverse movements in the value of foreign exchange, commodity, interest rate and equity positions held by the Group due to the volatility of financial market price (debt security price/interest rate, foreign exchange rate, equity price, commodity price). The Group adopts a robust market risk appetite to achieve a balance between risk and return. For details of the Group's market risk management, please refer to Note 4.2 to the Financial Statements in the Annual Report.

The Group uses the VAR to measure and report general market risks to the Risk Committee ("RC") and senior management on a periodic basis. The Group adopts a uniformed VAR calculation model, using historical simulation approach and 2-year historical data, to calculate VAR of the Group and subsidiaries over a 1-day holding period with 99% confidence level, and to set up the VAR limit of the Group and subsidiaries.

The predictive power of the VAR measure is monitored by back-testing, which compares the calculated VAR figure of market risk exposures of each business day with the actual and hypothetical revenues arising on those exposures on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level. The graph below shows the back-testing result of the VAR against actual revenues of the Group.



There were no actual losses exceeding the VAR estimates for the Group in 2012 as shown in the back-testing results.

Interest Rate Risk Management

Interest rate risk means the risks to a bank's earnings and economic value arising from adverse movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are repricing risk, basis risk, yield curve risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Financial Statements in the Annual Report.

Liquidity Risk Management

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group follows the sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and survive with net positive cumulative cash flow in extreme scenarios, without requesting HKMA to act as the lender of last resort. For details about Liquidity Risk Management, please refer to Note 4.3 to the Financial Statements in the Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal process, staff and information technology system, or from external events. The risk is inherent in every aspect of business operations and confronted by the Group in its day-to-day operational activities.

The Group has implemented the “Three Lines of Defence” for its operational risk management. All departments or functional units as the first line of defence are the first parties responsible for operational risk management, and carry out the duties and functions of self risk control in the process of business operation through self assessment, self checking, self correction and self development. The Operational Risk and Compliance Department (“OR&CD”) together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Information Technology Department, Corporate Services Department, Financial Management Department and General Accounting & Accounting Policy Department (collectively known as “Specialist functional units”), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. The OR&CD, being independent from the business units, is responsible for assisting the Management in managing the Group’s operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, and assessing and reporting the overall operational risk position to the Management and RC. Specialist functional units are required to carry out their managerial duties of the second line defence with respect to some specific aspects of operational risk and its related issues. Besides taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the Group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment to the robustness and adequacy of the operational risk management framework and is required to conduct periodic audit of the operational risk management activities of various departments or functional units within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

The Group has put in place an effective internal control process which requires the establishment of policies and control procedures for all the key activities. The Group adheres to the fundamental principle of proper segregation of duties and authorisation. The Group adopts various operational risk management tools or methodologies such as key risk indicators, self-assessment, operational risk events reporting and review to identify, assess, monitor and control the risks inherent in business activities and products, as well as purchase of insurance to mitigate unforeseeable operational risks. Business continuity plans are established to support business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputation Risk Management

Reputation risk is the risk that negative publicity about the Group’s business practices, whether genuine or not, will cause a potential decline in the customer base, or lead to costly litigation or revenue decrease. Reputation risk is inherent in other types of risk and every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to prevent and manage reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

In addition, the Group has put in place a comprehensive framework to continuously monitor reputation risk incidents in the financial industry. This continuous monitoring enables the Group to effectively manage, control and mitigate any potential adverse impact from an incident. The Group also adopts robust disclosure practices to keep our stakeholders informed at all times, which helps build confidence in the Group and establish a strong public image.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Legal and Compliance Risk Management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgements may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with all applicable laws and regulations. Legal and compliance risks are managed by the OR&CD, which reports directly to the Chief Risk Officer ("CRO"). All legal matters are handled by the Legal Services Centre ("LSC"), which reports to the Chief Operating Officer. The OR&CD is responsible for legal risk management of the Group with support rendered by the LSC. As part of the Group's corporate governance framework, the policy for the management of legal and compliance risk is approved by the RC as delegated by the Board.

Strategic Risk Management

Strategic risk generally refers to the risks that may induce some current or future negative impacts on the earnings, or capital or reputation or market position of the Group because of poor business decisions, improper implementation of decisional strategies and lack of response to the market. The Board reviews and approves the strategic risk management policy. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

The Group regularly reviews its business strategies to cope with the latest market situation and developments.

Capital Management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Asset and Liability Management Committee ("ALCO") periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

To comply with the HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group adopts the internal capital adequacy assessment process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured under Pillar I, and therefore minimum common equity CAR, minimum core CAR and the minimum CAR are determined. Meanwhile, an operating CAR Range has also been established which enables the flexibility for future business growth and efficiency of capital utilisation.

The Group has assessed the relevant impact and been well prepared for the implementation of Basel III capital standards which came into operation on 1 January 2013.

Stress Testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis by the Group's various risk management units in accordance with the principles stated in the Supervisory Policy Manual "Stress-testing" published by the HKMA. The ALCO monitors the results against the key risk limit approved by the RC. The Financial Management Department reports the combined stress test results of the Group to the Board and RC regularly.

BOC Life

BOC Life's principal business is the underwriting of long-term insurance business in life and annuity, unit-linked long-term business and retirement scheme management in Hong Kong. Major types of risk arising from the BOC Life's insurance business are insurance risk, interest rate risk, liquidity risk and credit risk. BOC Life closely monitors these risks and reports to its RC on a regular basis. The key risks of its insurance business and related risk control process are as follows:

Insurance Risk Management

BOC Life is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. These risks are managed through the application of underwriting policies and reinsurance arrangements.

MANAGEMENT'S DISCUSSION AND ANALYSIS



The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten. Screening processes, such as the review of health condition and family medical history, are also included in BOC Life's underwriting procedures.

The reinsurance arrangement helps to transfer the insurance risk associated with the insurance contracts to the third party. It does not, however, discharge BOC Life's liability as the primary insurer. If a reinsurer fails to pay a claim for any reasons, BOC Life remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by reviewing the reinsurers' financial strength prior to finalisation of any contract. BOC Life directs its reinsurance placement policy and assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. BOC Life also monitors the recoverability of its reinsurance assets on an ongoing basis. It maintains records of the payment history for significant contract holders with whom it conducts regular business.

For details of the Group's Insurance Risk Management, please refer to Note 4.4 to the Financial Statements in the Annual Report.

Interest Rate Risk Management

An increase in interest rates may result in the depreciation of the value of BOC Life's bond portfolio. It may also result in customers accelerating surrenders. A decrease in interest rates may result in an increase in insurance liability and an inability to adequately match guarantees or lower returns leading to customer dissatisfaction. BOC Life manages the asset liability matching of its portfolios within an asset liability management (ALM) framework that has been developed to achieve investment returns that match its obligations under insurance contracts.

Liquidity Risk Management

Liquidity risk is the risk of not being able to fund increases in assets or meet obligations as they fall due without incurring unacceptable loss. BOC Life's asset liability matching framework includes cash flow management to preserve liquidity to match policy payout from time to time. In the normal course of BOC Life's business, new business and inforce policies premiums generate constant cash inflows and, as a result, the portfolios also grow gradually to meet future liquidity requirement.

Credit Risk Management

BOC Life has exposure to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet a commitment that they have entered into. Key areas to which BOC Life's insurance business is exposed include:

- Default risk of bond issuers or the counterparties of structured products
- Credit spread widening as a result of credit migration (downgrade)
- Re-insurers' share of insurance unpaid liabilities
- Amounts due from re-insurers in respect of claims already paid
- Amount due from insurance contract holders
- Amount due from insurance intermediaries

BOC Life manages credit risk by placing limits on its exposure to each investment counterparty or group of counterparties. Such limits are subject to annual or more frequent review by the Management.

In order to enhance its credit risk management, BOC Life has strengthened its communication with the Investment Management of the Group while closely monitoring and updating the established Bonds Issuers Disposal and Watch Lists to ensure consistency with the Group's credit risk management and investment strategy.



PREMIER **WEALTH** MANAGEMENT SERVICE





CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

XIAO Gang[#] (resignation effective from
17 March 2013)

Vice Chairmen

LI Lihui[#]

HE Guangbei

Directors

LI Zaohang[#]

ZHOU Zaiqun[#]

CHEN Siqing[#]

GAO Yingxin

FUNG Victor Kwok King^{*}

KOH Beng Seng^{*}

NING Gaoning^{*} (appointment effective from
24 August 2012)

SHAN Weijian^{*}

TUNG Chee Chen^{*}

TUNG Savio Wai-Hok^{*}

[#] Non-executive Directors

^{*} Independent Non-executive Directors

COMPANY SECRETARY

CHAN Chun Ying

REGISTERED OFFICE

52nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

AUDITOR

PricewaterhouseCoopers

SENIOR MANAGEMENT

Chief Executive

HE Guangbei

Deputy Chief Executive

GAO Yingxin

Chief Financial Officer

ZHUO Chengwen

Deputy Chief Executives

WONG David See Hong

YEUNG Jason Chi Wai

Chief Risk Officer

LI Jiuzhong

Chief Operating Officer

LEE Alex Wing Kwai

Assistant Chief Executive

ZHU Yanlai

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

ADR DEPOSITARY BANK

Citibank, N.A.
388 Greenwich Street
14th Floor
New York, NY 10013
United States of America

WEBSITE

www.bochk.com

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. XIAO Gang



Mr. LI Lihui



Mr. HE Guangbei



Mr. LI Zaohang



Mr. ZHOU Zaiqun



Mr. CHEN Siqing



Mr. GAO Yingxin



Dr. FUNG Victor Kwok King



Mr. KOH Beng Seng



Mr. NING Gaoning

Directors

Mr. XIAO Gang

Chairman (resignation effective from 17 March 2013)

Aged 54, Chairman of the Board of Directors of the Company and BOCHK. Chairman of BOC. Director of BOC (BVI) and BOCHKG.

Mr. LI Lihui

Vice Chairman

Born in 1952, Vice Chairman of the Board of Directors and a member of the Nomination and Remuneration Committee of the Company and BOCHK. Vice Chairman and President of BOC. Director of BOC (BVI) and BOCHKG.

Mr. HE Guangbei

Vice Chairman and Chief Executive

Aged 58, Vice Chairman, Chief Executive and a member of the Strategy and Budget Committee of the Company and BOCHK. Chairman of NCB (China), Chiyu, BOC Life and BOCHK Charitable Foundation. Chairman and Director of each of Hong Kong Interbank Clearing Limited and HKICL Services Limited, a Director of Hong Kong Note Printing Limited. Designated representative of BOCHK to the Hong Kong Association of Banks. Member of 12th National Committee of the Chinese People's Political Consultative Conference, non-official member of Economic Development Commission, member of the HKMA Exchange Fund Advisory Committee, Banking Advisory Committee,

General Committee of Hong Kong General Chamber of Commerce, Risk Management Committee of Stock Exchange, Hong Kong/Japan Business Co-operation Committee, Hong Kong-United States Business Council and Advisory Committee of Qianhai Shenzhen-Hong Kong Modern Service Industry Corporation Zone. Honorary President of the Hong Kong Chinese Enterprises Association.

Mr. LI Zaohang

Non-executive Director

Aged 57, Non-executive Director and a member of the Risk Committee and the Nomination and Remuneration Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC.

Mr. ZHOU Zaiqun

Non-executive Director

Aged 60. Non-executive Director, Chairman of the Strategy and Budget Committee and a member of the Audit Committee of the Company and BOCHK. Chairman of Nanyang and Vice Chairman of NCB (China).

Mr. CHEN Siqing

Non-executive Director

Aged 52. Non-executive Director and a member of the Risk Committee and the Strategy and Budget Committee of the Company and BOCHK. Executive Vice President of BOC.

Mr. GAO Yingxin

Executive Director and Deputy Chief Executive

Aged 50. Executive Director of the Company and BOCHK as well as Deputy Chief Executive in charge of Corporate Banking and Financial Institutions. Vice Chairman of NCB (China) and Director of Nanyang and BOCG Insurance.

Dr. FUNG Victor Kwok King

Independent Non-executive Director

Aged 67. Independent Non-executive Director and a member of the Audit Committee and the Strategy and Budget Committee of the Company and BOCHK. Group Chairman of the Fung Group (formerly Li & Fung Group).

Mr. KOH Beng Seng

Independent Non-executive Director

Aged 62. Independent Non-executive Director, Chairman of the Risk Committee and a member of the Audit Committee of the Company and BOCHK. Chief Executive Officer of Octagon Advisors Pte Ltd.

Mr. NING Gaoning

Independent Non-executive Director

Aged 54. Independent Non-executive Director and a member of the Strategy and Budget Committee of the Company and BOCHK. Chairman of COFCO Corporation and COFCO (Hong Kong) Limited.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. SHAN Weijian



Mr. TUNG Chee Chen



Mr. TUNG Savio Wai-Hok



Mr. ZHUO Chengwen



Mr. WONG David See Hong



Mr. YEUNG Jason Chi Wai



Mr. LI Jiuzhong



Mr. LEE Alex Wing Kwai



Mdm. ZHU Yanlai

Directors

Mr. SHAN Weijian

Independent Non-executive Director

Aged 59. Independent Non-executive Director, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee of the Company and BOCHK. Chairman and Chief Executive Officer of PAG.

Mr. TUNG Chee Chen

Independent Non-executive Director

Aged 70. Independent Non-executive Director, Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of the Company and BOCHK. Chairman and Chief Executive Officer of Orient Overseas (International) Limited.

Mr. TUNG Savio Wai-Hok

Independent Non-executive Director

Aged 61. Independent Non-executive Director and a member of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee and the Strategy and Budget Committee of the Company and BOCHK. Chief Executive, North America, of Investcorp.

Senior Management

Mr. ZHUO Chengwen

Chief Financial Officer

Aged 42. Chief Financial Officer of the Group. Director of Nanyang and BOCHK Asset Management Limited.

Mr. WONG David See Hong

Deputy Chief Executive

Aged 59. Deputy Chief Executive of the Group in charge of the financial market businesses. Director of BOC Life. Board member of Civil Service College in Singapore, Customer Advisory Board Member of Thomson Reuters and Finance Management Committee Member of the HK Management Association in Hong Kong.

Mr. YEUNG Jason Chi Wai

Deputy Chief Executive

Aged 58. Deputy Chief Executive of the Group in charge of the Personal Banking business. Vice Chairman of BOC-CC and Director of BOC Life.

Mr. LI Jiuzhong

Chief Risk Officer

Aged 50. Chief Risk Officer of the Group. Director of Nanyang, NCB (China), BOC-CC and BOC Life.

Mr. LEE Alex Wing Kwai

Chief Operating Officer

Aged 54. Chief Operating Officer of the Group. Director of BOC-CC.

Mdm. ZHU Yanlai

Assistant Chief Executive

Aged 58. Assistant Chief Executive of the Group. Director of Nanyang.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the Summary Financial Statements of the Company and its subsidiaries for the year ended 31 December 2012.

Principal Activities

The principal activities of the Group are the provision of banking and related financial services. An analysis of the Group's performance for the year by business segments is set out in Note 10 to the Summary Financial Statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 93.

The Board has recommended a final dividend of HK\$0.693 per share, amounting to approximately HK\$7,327 million, subject to the approval of shareholders at the forthcoming annual general meeting to be held on Tuesday, 28 May 2013. If approved, the final dividend will be paid on Friday, 14 June 2013 to shareholders whose names appear on the Register of Members of the Company on Thursday, 6 June 2013. Together with the interim dividend of HK\$0.545 per share declared in August 2012, the total dividend payout for 2012 would be HK\$1.238 per share.

Closure of Register of Members for Entitlement to Attend and Vote at Annual General Meeting

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at

the Annual General Meeting of the Company, from Thursday, 23 May 2013 to Tuesday, 28 May 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the Annual General Meeting of the Company, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 May 2013. The Annual General Meeting of the Company will be held at 2:00 p.m. on Tuesday, 28 May 2013.

Closure of Register of Members for Entitlement to Final Dividend

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Monday, 3 June 2013 to Thursday, 6 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2013. Shares of the Company will be traded ex-dividend as from Thursday, 30 May 2013.

Reserves

Details of movements in the reserves of the Group are set out in Note 9 to the Summary Financial Statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$10 million.

Note: These donations do not include the donations and sponsorships made by BOCHK Charitable Foundation ("the Foundation". For details, please refer to the "Corporate Social Responsibility" section of this Summary Financial Report). The Foundation is a separate legal entity established in Hong Kong and is a charitable institution exempt from tax under the Inland Revenue Ordinance.

Properties, Plant and Equipment

Details of movements in properties, plant and equipment of the Group are set out in Note 6 to the Summary Financial Statements.

Share Capital

Details of the share capital of the Company are set out in Note 8 to the Summary Financial Statements.

As at the latest practicable date prior to the issue of this Summary Financial Report and based on publicly available information, the public float of the Company was approximately 34%. The Directors consider that there is sufficient public float in the shares of the Company.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2012, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$10,628 million.



REPORT OF THE DIRECTORS

Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years is set out on page 3.

Directors

The list of Directors of the Company is set out on page 46. The biographical details of the Directors and senior management are set out on pages 47 to 48 of this Summary Financial Report. The term of office for each Non-executive Director is approximately three years.

Mr. XIAO Gang resigned as Chairman and Non-executive Director with effect from 17 March 2013. The Board would like to express its sincere gratitude and the highest respect to Mr. XIAO for his excellent contributions in all aspects during his tenure of office. Mr. NING Gaoning was appointed as an Independent Non-executive Director with effect from 24 August 2012. The Board welcomes Mr. NING to join the Board.

In accordance with Article 98 of the Articles of Association and pursuant to Code A.4.2 of the Corporate Governance Code, Mr. LI Lihui, Mr. GAO Yingxin, Mr. SHAN Weijian and Mr. TUNG Chee Chen will retire by rotation at the forthcoming annual general meeting. Mr. TUNG Chee Chen has notified the Company that he has decided not to stand for re-election at the forthcoming annual general meeting. The other three retiring Directors, being eligible, will offer themselves for re-election. Further, pursuant to the Articles of Association, any Director appointed by the Board during the year shall hold office only until the next following

annual general meeting of the Company, and shall then be eligible for re-election at such meeting. Accordingly, Mr. NING Gaoning, being a Director appointed on 24 August 2012, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Directors' Service Contracts

No Director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Interests in Contracts of Significance

No contracts of significance, in relation to the Group's business to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

Prior to Mr. XIAO Gang's resignation on 17 March 2013, he was the Chairman and an Executive Director of BOC. Mr. LI Lihui and Mr. LI Zaohang are Executive Directors of BOC. Mr. CHEN Siqing is an Executive Vice President of BOC.

BOC is a joint stock limited liability commercial bank in the Mainland of China providing a full range of commercial banking and other

financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group, the Directors believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the Independent Non-executive Directors.

Further, the Board's Mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter shall not be dealt with by way of written resolutions, but a Board meeting attended by Independent Non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Rights to Acquire Shares

On 5 July 2002, the following Directors were granted options by BOC (BVI), the immediate holding company of the Company, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) the existing issued shares of the Company at a price of HK\$8.50 per share. These options have a vesting period of four years from 25 July 2002 with a valid exercise period of ten years.

REPORT OF THE DIRECTORS



Particulars of the outstanding options granted to the Directors under the Pre-Listing Share Option Scheme are set out below:

Name of Director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options					
				Granted on 5 July 2002	Balances as at 1 January 2012	Exercised during the year	Surrendered during the year	Lapsed during the year	Balances as at 31 December 2012
LI Zaohang	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	1,446,000	–
ZHOU Zaiqun	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,084,500	–	–	1,084,500	–
Total				2,892,000	2,530,500	–	–	2,530,500	–

Note: According to the rules of the Pre-Listing Share Option Scheme, all outstanding options granted pursuant to the said Scheme had been lapsed on 5 July 2012.

Save as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2012, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Number of shares/underlying shares held					% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total	
HE Guangbei	100,000	–	–	–	100,000	0.0009%
NING Gaoning	–	25,000 ^{Note}	–	–	25,000	0.0002%
Total	100,000	25,000	–	–	125,000	0.0011%

Note: Such shares are held by the spouse of Mr. NING Gaoning.

Save as disclosed above, as at 31 December 2012, none of the Directors or the Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



REPORT OF THE DIRECTORS

Substantial Interests in Share Capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2012, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	No. of shares of HK\$5 each in the Company	% of total issued shares
Central Huijin	6,984,274,213	66.06%
BOC	6,984,274,213	66.06%
BOCHKG	6,984,175,056	66.06%
BOC (BVI)	6,984,175,056	66.06%

Notes:

1. Following the reorganisation of BOC in August 2004, Central Huijin holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central Huijin is deemed to have the same interests in the Company as BOC.
2. BOC holds the entire issued share capital of BOCHKG, which in turn holds the entire issued share capital of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO. BOC (BVI) beneficially held 6,984,175,056 shares of the Company.
3. BOC holds the entire issued share capital of BOCI, which in turn holds the entire issued share capital of BOCI Asia Limited and BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Asia Limited and BOCI Financial Products Limited for the purpose of the SFO. BOCI Asia Limited had an interest in 24,479 shares of the Company and an interest in 72,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 2,678 shares of the Company.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2012, BOCI Financial Products Limited had an interest in 143,522 shares which represented short positions. BOC and Central Huijin are deemed to be interested in such amount of shares for the purpose of the SFO. Save as disclosed, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO as at 31 December 2012.

Management Contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



Share Options

Pursuant to written resolutions of all the Company's shareholders passed on 10 July 2002, the Company has approved and adopted two share option schemes, namely, the Share Option Scheme and the Sharesave Plan, both of which expired in July 2012. No options have been granted by the Company pursuant to the Share Option Scheme or the Sharesave Plan during the year.

The following is a summary of the Share Option Scheme and the Sharesave Plan disclosed in accordance with the Listing Rules:

	Share Option Scheme	Sharesave Plan
Purpose	To provide the participants with the opportunity to acquire proprietary interests in the Company, to attract and retain the best available personnel, to encourage and motivate the participants to work towards enhancing the value of the Company and its shares, to allow the participants to participate in the growth of the Company and to align the interests of the Company's shareholders with those of the participants.	To encourage broad-based employee ownership of the Company's shares, to increase employee awareness and participation in the Company's share price performance, to provide employees with an additional vehicle for asset accumulation and to align the interests of all employees with those of the Company's shareholders.
Participants	Subject to compliance with applicable laws, any full-time or part-time employee, executive or officer of the Group, executive or non-executive director of the Group, or full-time or part-time employee, executive, officer or director of BOC or any of its subsidiaries serving as a member of any committee of the Group.	Any employee, executive, officer or director of the Group, having such qualifying period of service (if any) as the Board may determine from time to time and not having been granted any options under the Share Option Scheme.
Total number of shares available for issue and percentage of issued share capital immediately before the expiry	The maximum number of shares in respect of which options may be granted under the Share Option Scheme, the Sharesave Plan and any other share option schemes and savings-based share option plans of any company in the Group (the "Other Schemes and Plans") shall not in aggregate exceed 10% of the shares in issue on the date of adoption of the Share Option Scheme, that is, 1,057,278,026 shares.	Same as Share Option Scheme.

REPORT OF THE DIRECTORS

	Share Option Scheme	Sharesave Plan
Maximum entitlement of each participant	The total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Share Option Scheme and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time.	The maximum number of shares (rounded down to the next whole number) which can be paid for at the exercise price with monies equal to the aggregate of the savings contributions the participant has undertaken to make by the Maturity Date (defined as below) and interest which may be accrued thereon. Provided that the total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Sharesave Plan and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time. The amount of the monthly contribution to be made by a participant shall not be less than 1% and not more than 10% of the participant's monthly salary or such other maximum or minimum amounts as permitted by the Board.
Period within which the shares must be taken up under an option	Such period as shall be prescribed by the Board and specified in the letter of offer.	The thirty-day period (excluding the anniversary days) immediately after the first and second anniversary days from the date of grant or such other date as determined by the Board, or the thirty-day period immediately after the third anniversary of the date of grant or such other date as determined by the Board (the "Maturity Date"), or such other period(s) as may be determined by the Board.
Minimum period for which an option must be held before it can be exercised	Such minimum period as shall be prescribed by the Board and specified in the letter of offer.	One year.

REPORT OF THE DIRECTORS



	Share Option Scheme	Sharesave Plan
(a) Amount payable on acceptance of the option	(a) HK\$1.00	(a) HK\$1.00
(b) Period within which payments or calls must or may be made	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company within the period open for acceptance as set out in the letter of offer which shall not be less than 7 days after the offer date.	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company not later than the date specified in the letter of invitation as the directors may determine.
(c) The period within which loans for such purposes must be repaid	(c) Not applicable.	(c) Not applicable.
Basis of determining the exercise price	The exercise price is determined on the date of grant by the Board and shall not be less than the highest of: (a) the nominal value of the Company's shares; (b) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (c) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.	Same as Share Option Scheme.
Remaining life	The Share Option Scheme shall remain in force for a period of ten years commencing on the first day of dealings in the Company's shares on the Stock Exchange which was 25 July 2002. Accordingly, the expiry of the Share Option Scheme took effect from 25 July 2012.	The Sharesave Plan shall remain in force for a period of ten years after the date of approval and adoption of the Sharesave Plan by the Company's shareholders which was 10 July 2002. Accordingly, the expiry of the Sharesave Plan took effect from 10 July 2012.

Please refer to the section "Directors' Rights to Acquire Shares" for details of the options granted by BOC (BVI) over shares of the Company pursuant to the Pre-Listing Share Option Scheme.

REPORT OF THE DIRECTORS

Purchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the total of interest income and other operating income of the Group.

Connected Transactions

The Independent Non-executive Directors have reviewed the transactions which the Company disclosed in a public announcement on 30 December 2010 and confirmed that these transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;
- (ii) conducted either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;
- (iii) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) in each case where an annual cap had been set, that such cap was not exceeded.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Budgetary Discipline and Reporting

The annual budget of the Group is reviewed and approved by the Board of Directors prior to its implementation by the Management. Financial and business targets are allocated to business units and subsidiaries. There are defined procedures for the appraisal, review and approval of major capital and recurring expenditures. Proposed significant expenditures outside the approved budget will be referred to the Board or the relevant Board committee for decision. Financial and business performance against targets is reported to the Board regularly. Should significant changes in relation to the operations arise, a revised financial forecast will be submitted to the Board for review and approval in a timely manner.

Compliance with the Banking (Disclosure) Rules and the Listing Rules

The financial statements for the year ended 31 December 2012 comply with the applicable requirements set out in the Banking (Disclosure) Rules under the Banking Ordinance and the applicable disclosure provisions of the Listing Rules.

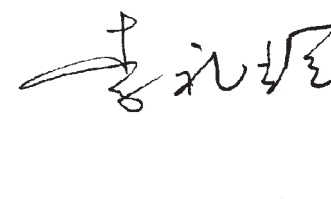
Auditor

The financial statements for the year 2012 have been audited by PricewaterhouseCoopers ("PwC").

PwC will retire as auditor of the Company upon expiration of its current term of office at the close of the forthcoming annual general meeting of the Company to be held on Tuesday, 28 May 2013 (the "2013 AGM").

On 25 March 2013, the Board resolved to propose the appointment of Messrs. Ernst & Young as the new auditor of the Company to fill the vacancy immediately following the retirement of PwC and to hold office until the conclusion of the next forthcoming annual general meeting of the Company, subject to the approval of the shareholders of the Company at the 2013 AGM.

On behalf of the Board



LI Lihui
Vice Chairman

Hong Kong, 26 March 2013

The Company is committed to maintaining and upholding high standards of corporate governance

in order to safeguard the interests of shareholders, customers and employees. The Company abides strictly by the laws and regulations in Hong Kong, and observes the rules and guidelines issued by regulatory authorities including HKMA, Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. The Company from time to time reviews the corporate governance practices as adopted and strives to comply with the relevant requirements of international and local corporate governance best practices.

The Stock Exchange of Hong Kong merged the “Corporate Governance Report” contained in Appendix 23 to the Listing Rules with the “Code on Corporate Governance Practices” contained in Appendix 14 (the “Former CG Code”) to form the “Corporate Governance Code and Corporate Governance Report” as set out in the amended Appendix 14 (the “Corporate Governance Code”). Such Corporate Governance Code took effect on 1 April 2012. The Company is committed to embracing and enhancing good corporate governance principles and practices. **During the period under review, the Company has been in full compliance with all code provisions as set out in the Former CG Code as well as the Corporate Governance Code. The Company has also complied with nearly all the recommended best practices set out in the Corporate Governance Code throughout the period.** In particular, the Company publishes quarterly financial and business reviews so that shareholders can be better updated of the performance, financial positions and prospects of the Company on a timely basis.

BOCHK, the Company’s wholly-owned and principal operating subsidiary, is in full compliance with the guidelines as set out in the Supervisory Policy Manual module CG-1 entitled “Corporate Governance of Locally Incorporated Authorized Institutions” (“SPM CG-1”) issued by HKMA. Meanwhile, BOCHK has also complied with almost all guidelines as set out in the latest SPM CG-1 revised by HKMA in August 2012 with further enhancement to be made prior to August 2013 so as to bring its corporate governance practices in line with the guidance stipulated in the revised module.

In 2012, the Company was awarded Category 1 (Hang Seng Index Constituent Companies) of The Hong Kong Corporate Governance Excellence Awards which was co-organised by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University with an aim to encourage improvements in corporate governance of listed companies in Hong Kong. This was the second consecutive year for the Company to be granted such recognised awards. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of our information disclosure.

Corporate Governance Policy

Policy Statement

The Company recognises the importance of high standards of corporate governance and maintains an effective corporate governance framework which delivers long-term

success of the Group. The Company is also strongly committed to embracing and enhancing sound corporate governance principles and practices. The established and well-structured corporate governance framework directs and regulates the business ethical conduct of the Company, thereby protects and upholds the value of shareholders and stakeholders as a whole in a sustainable manner.

Essential Principles

(1) Eminent Board

Authority

The Board is responsible for supervising the Management of the business and affairs of the Group with due regard to maximising shareholder value and enhancing corporate governance standard of the Group. The Board is obliged to act honestly and in good faith and to make decisions objectively in the best interests of the Group and its shareholders as a whole.

Structure

The Company is led by a high caliber Board with strong representation of Independent Non-executive Directors. The Board has a well-balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors. Both the number and percentage of the Independent Non-executive Directors are well above the requirements set by relevant rules and regulations. All Directors are eminent individuals from diverse disciplines with extensive professional experience and are able to make objective judgement.

Roles of Chairman and Chief Executive

In order to promote balance of power, the roles of Chairman and Chief Executive are segregated. The Company may benefit from the segregation as the Chairman can focus on leading the Board and monitoring corporate governance and shareholder issues, while the Chief Executive leading the Management to perform the day-to-day operations and affairs of the Company.

Board Committees

The Board has established four standing Board Committees which are delegated with different responsibilities to assist the Board in performing its duties. They are Audit Committee, Nomination and Remuneration Committee, Risk Committee, and Strategy and Budget Committee. Most of them are composed of a majority of Independent Non-executive Directors. Each of the Board Committees has a well-defined mandate with the roles and responsibilities delineated therein. The performance and effectiveness of these standing Board Committees are evaluated periodically with a view to making further enhancement. Other Board Committees like Independent Board Committee and Search Committee will be formed as and when required under the appropriate circumstances.

(2) Prudent Risk Management

The Board recognises the need for risk control and management being a vital component of the business of the Group. The Board formulates and oversees the risk management strategies, and the related framework and policies with the assistance of

the Risk Committee and other relevant Board Committee(s). The Management performs the daily risk management responsibilities of the Group under the guidance of the Risk Committee.

(3) Fair Remuneration System

The Company ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Directors' fees are subject to the approval of the shareholders. The Board, based on the recommendations of the Nomination and Remuneration Committee which is mainly responsible for ensuring the fairness and reasonableness of the overall human resources and remuneration strategies, approves the remuneration policies of the Group. No Director shall be involved in deciding his or her own remuneration.

(4) Effective Disclosure Mechanism

The Board reviews and monitors from time to time the effectiveness of the Group's disclosure process for reports, announcements, price sensitive and inside information. It encourages and takes necessary steps to disclose information in a timely manner and to ensure the information concerning the Group is expressed and communicated in a clear and objective manner that enables the shareholders and the public to appraise the position of the Group to make informed investment decisions.

(5) Upholding Shareholders' Rights

The Board respects the rights of shareholders as mandated by the memorandum and articles of association of the Company

(the "Articles of Association") and relevant applicable laws and regulatory requirements. The Board places utmost importance on maintaining effective communications with shareholders and also makes its best efforts to keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders. In addition, the shareholders also have the rights to obtain all available information of the Company, make proposals at general meetings, nominate a person for election as a director, and make enquiries about the Company.

(6) Safeguarded Stakeholders' Interests

The Board has a fiduciary duty to protect and serve, with due care and consideration of, the interest of all stakeholders of the Company including but not limited to employees, customers, business partners, suppliers, regulators and the community. All the interests of stakeholders of the Company are further safeguarded by strictly complying with applicable laws and regulations as well as governance policies.

(7) Sustainable Corporate Social Responsibility

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community.



(8) Pursuit of “Good to Great”

The Board encourages the pursuit of “Good to Great”. With the assistance of the Nomination and Remuneration Committee, the Board ensures that each Board Committee shall conduct regular self-assessment of its effectiveness, and based on the evaluation results, the Board gives such feedback, directions and guidance as may be necessary to enhance its efficiency and effectiveness.

Policy Goal

The Board and the senior management of the Company are responsible for adhering to the corporate governance principles and executing this policy. The Company seeks to manage its business in accordance with the well-defined corporate governance principles which therefore provide a solid governance framework for excellent performance and sustainable growth.

Corporate Governance Framework

The Board is at the core of the Company’s corporate governance framework and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. Generally, the Board is responsible for:

- formulating the Group’s mid and long-term strategy and monitoring the implementation thereof;
- reviewing and approving the annual business plans and financial budgets;
- approving the annual, interim and quarterly results;

- reviewing and monitoring the Group’s risk management and internal control;
- ensuring good corporate governance and effective compliance; and
- monitoring the performance of the Management.

The Board authorises the Management to implement the strategies as approved by the Board. The Management is responsible for the day-to-day operations of the Group and reports to the Board. **For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances whereas the Management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.** The Board will conduct regular review on these authorisation and guidelines.

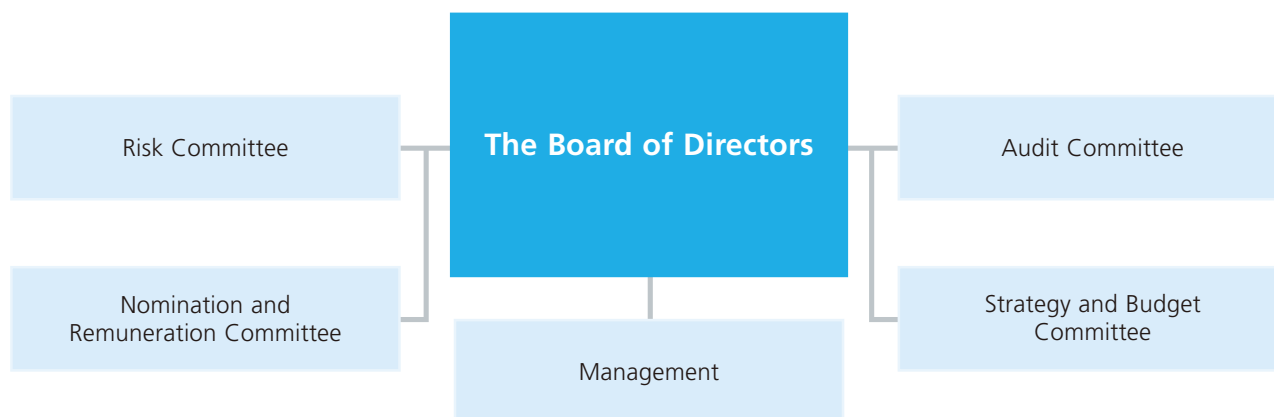
To avoid concentration of power in any single individual, the **positions of the Chairman and the Chief Executive should be held by two different individuals. Their roles are distinct, clearly established and stipulated in the Board’s Mandate.** In short, the Chairman is responsible for ensuring that the Board properly discharges its responsibilities and conforms to good corporate governance practices and procedures. In addition, as the Chairman of the Board, he is also responsible for ensuring that all Directors are properly briefed on all issues currently on hand, and that all Directors receive adequate, accurate and reliable information in a timely manner. The Chief Executive is responsible for providing leadership for the whole Management and implementing important policies and development strategies as adopted by the Board.

Taking into consideration market practices and international best practices in corporate governance, **the Board has established four standing Board Committees** to assist in performing its responsibilities. They are the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, and the Strategy and Budget Committee. In addition, the Board will authorise an independent board committee comprising all Independent Non-executive Directors as and when required to review, approve and monitor connected transactions (including the continuing connected transactions) in accordance with the relevant rules and regulations that should be approved by the Board.

Each of the Board Committees has a well-defined Mandate and makes recommendations to the Board on relevant matters within its scope of responsibilities or makes decisions under appropriate circumstances in accordance with the power delegated by the Board. **All Board Committees are assigned a professional secretarial department which ensures that the Board Committees have adequate resources to perform their duties effectively and properly.** The Board and Board Committees will participate in the annual performance appraisal of those professional secretarial departments to ensure and enhance the services provided and ensure that adequate and efficient supports are provided to the Board and Board Committees. In addition, according to their respective Mandates, **the Board and the each of Board Committees will evaluate and review their work process and effectiveness annually, with a view to identifying areas for further improvements.**

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The following chart sets out the Company's corporate governance framework:



Details including the Company's corporate governance principles and framework adopted by the Board, the composition of the Board and each of the Board Committees and their respective Mandates, Corporate Governance Policy, Shareholder Communication Policy, Information Disclosure Policy and Fair Disclosure Policy are available under the sub-section "Corporate Governance" of the section headed "About Us" on the Company's website at www.bochk.com.

Board of Directors

The Board of the Company is composed of majority of Non-executive Directors and Independent Non-executive Directors that ensures the independence and objectivity of the decisions of the Board, as well as comprehensive and impartial control of the Management. The Board acts honestly and in good faith so that decisions are made objectively with a view to delivering long-term and maximum shareholder value and fulfilling its corporate responsibility to other stakeholders of the Group.

The Board currently has twelve members, comprising six Independent Non-executive Directors, four Non-executive Directors and two Executive Directors. Mr. XIAO Gang resigned as Chairman and Non-executive Director of the Company on 17 March 2013; and Mr. NING Gaoning was appointed as an Independent Non-executive Director of the Company on 24 August 2012. Save as disclosed above, there were no other changes to the composition of the Board in 2012 and up to the date of this Summary Financial Report.

Under the current board membership, all Directors possess extensive experience in banking and management. In addition, over one-third of them are Independent Non-executive Directors, of whom some of them are experts in financial and/or risk management. The Board has adopted the "Policy on Independence of Directors" (the "Independence Policy") which stipulates the criteria on independence of Independent Non-executive Directors. The Company has received from each of the Independent

Non-executive Directors an annual confirmation of his independence by reference to the Independence Policy. Based on the information available to the Company, it considers that all of the Independent Non-executive Directors are independent. Biographical details of the Directors are set out in the section headed "Board of Directors and Senior Management" of this Summary Financial Report and are available under the sub-section "Organisation" of the section headed "About Us" on the Company's website at www.bochk.com.

All the existing **Non-executive Directors and Independent Non-executive Directors** of the Company have been **appointed for a fixed term of approximately 3 years, with formal letters of appointment** setting out the key terms and conditions of their appointment. In accordance with Article 98 of the Articles of Association and pursuant to Code A.4.2 of the Corporate Governance Code, Mr. LI Lihui, Mr. GAO Yingxin, Mr. SHAN Weijian and Mr. TUNG Chee Chen will retire by rotation at the forthcoming



annual general meeting. Mr. TUNG Chee Chen has notified the Company that he has decided not to stand for re-election at the forthcoming annual general meeting. The other three retiring Directors, being eligible, will offer themselves for re-election. Further, pursuant to the Articles of Association, any Director appointed by the Board during the year shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting. Accordingly, Mr. NING Gaoning, being a Director appointed on 24 August 2012, shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election. Further details regarding the proposed re-election of Directors are set out in the section headed "Report of the Directors" of this Summary Financial Report. In addition, the Nomination and Remuneration Committee has also established a **written and formal process for the appointment of Independent Non-executive Directors to ensure that the appointment procedures are standardised, thorough and transparent.**

Prior to Mr. XIAO Gang's resignation on 17 March 2013, he was the Chairman and an Executive Director of BOC. Mr. LI Lihui and Mr. LI Zaohang are Executive Directors of BOC. Mr. ZHOU Zaiqun was a former Executive Director and Executive Vice President of BOC (he ceased to be an Executive Director and Executive Vice President of BOC with effect from 28 May 2011). Mr. CHEN Siqing is an Executive Vice President of BOC.

Save as disclosed above, there are no other relationships between the Board members, including financial, business, family or other material/relevant relationships.

In addition, it is expressly provided in the Board's Mandate that, unless the applicable laws or regulations allow otherwise, if a substantial shareholder or Director has a conflict of interest in the matter to be considered by the Board, a Board meeting must be convened and attended by Independent Non-executive Directors who have no material interest, and give professional advice to the subject matter for further consideration and approval.

During the year, the Company has arranged for **appropriate cover on Directors' Liability Insurance Policy to indemnify the Directors for liabilities arising from the corporate activities.** The coverage and the amount insured under such policy are reviewed annually by the Company.

To ensure the newly appointed Directors to have adequate understanding of the Company's business operations and to enable all Directors to update their knowledge regularly so as to provide informed recommendation and advice and make contribution to the Company, **the Board establishes a set of written policy specifying guidelines on Directors' induction and training upon appointment.**

The Company also provides regular updates to Board members on material changes to regulatory

requirements applicable to the Directors and the Company on a timely basis; and arranges regular meetings with the Management to facilitate the understanding of the latest business development of the Company. In addition, Board members are encouraged to participate actively in continuous training programmes. The Company also arranges relevant professional training programmes for Board members at Company's expense. In 2012, the Company invited Mr. CAO Yuanzheng, Chief Economist of BOC, to deliver a seminar to the Directors and senior management with regard to the trend and outlook of macro-economic in Mainland China, and the reform of international monetary system and RMB Internationalisation.

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills in accordance with Code A.6.5 contained in Appendix 14 to the Listing Rules. Each of the Directors received a series of training locally or overseas as he thought fit, relevant trainings and briefings included, among others:

- development of national and global economy;
- national policy outlook;
- corporate governance;
- regulatory updates; and
- banking industry development trend, etc.

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All of them have also provided to the Company their records of training received for the year, the information of which has been entered in the register of directors' training records maintained and updated by the Company from time to time. The following summarises the compliance status of all Directors of the Company in respect of Code A.6.5 during the year:

Directors	In compliance with Code A.6.5
<i>Non-executive Directors</i>	
Mr. XIAO Gang (<i>Chairman</i>) (<i>Note 1</i>)	✓
Mr. LI Lihui (<i>Vice Chairman</i>)	✓
Mr. LI Zaohang	✓
Mr. ZHOU Zaiqun	✓
Mr. CHEN Siqing	✓
<i>Independent Non-executive Directors</i>	
Dr. FUNG Victor Kwok King	✓
Mr. KOH Beng Seng	✓
Mr. NING Gaoning (<i>Note 2</i>)	✓
Mr. SHAN Weijian	✓
Mr. TUNG Chee Chen	✓
Mr. TUNG Savio Wai-Hok	✓
<i>Executive Directors</i>	
Mr. HE Guangbei (<i>Vice Chairman and Chief Executive</i>)	✓
Mr. GAO Yingxin	✓

Note 1: Mr. XIAO Gang resigned as Chairman and Non-executive Director of the Company with effect from 17 March 2013.

Note 2: Mr. NING Gaoning was appointed as an Independent Non-executive Director of the Company with effect from 24 August 2012.

Seven Board meetings were held during 2012 with an average attendance rate of 93%. The meeting schedule for the year was prepared and approved by the Board in the preceding year. In general, Board agenda and meeting materials are despatched to all Board members

for review at least seven days prior to the scheduled meetings. Board agenda is approved by the Chairman following consultation with other Board members and the senior management. In addition, in order to facilitate open discussion with all Non-executive Directors, the Chairman

meets with all Non-executive Directors (including Independent Non-executive Directors), in the absence of Executive Directors and the senior management, during the discussion session before each Board meeting. Relevant practice has been incorporated in the Working Rules of the Board.



In 2012, details of respective Directors' attendance at the Board meetings are set out as follows:

Directors	Number of Board meetings attended	Attendance rate
<i>Non-executive Directors</i>		
Mr. XIAO Gang (<i>Chairman</i>) (<i>Note 1</i>)	6 out of 7	86%
Mr. LI Lihui (<i>Vice Chairman</i>)	7 out of 7	100%
Mr. LI Zaohang	7 out of 7	100%
Mr. ZHOU Zaiqun	7 out of 7	100%
Mr. CHEN Siqing	6 out of 7	86%
<i>Independent Non-executive Directors</i>		
Dr. FUNG Victor Kwok King	5 out of 7	71%
Mr. KOH Beng Seng	7 out of 7	100%
Mr. NING Gaoning (<i>Note 2</i>)	0 out of 2	0%
Mr. SHAN Weijian	7 out of 7	100%
Mr. TUNG Chee Chen	7 out of 7	100%
Mr. TUNG Savio Wai-Hok	7 out of 7	100%
<i>Executive Directors</i>		
Mr. HE Guangbei (<i>Vice Chairman and Chief Executive</i>)	7 out of 7	100%
Mr. GAO Yingxin	7 out of 7	100%

Note 1: Mr. XIAO Gang resigned as Chairman and Non-executive Director of the Company with effect from 17 March 2013.

Note 2: Mr. NING Gaoning was appointed as an Independent Non-executive Director of the Company with effect from 24 August 2012.

Apart from formal Board meetings and annual general meetings, the Company arranges, on a regular basis, other casual events for the Board members and the senior management to facilitate their communication and interactions. For example, **the Company organises breakfast meetings from time to time, Board members and senior management have been invited to join and share insights on the Company's business and strategic issues. Further, a board retreat has also been held during the year to enhance communication between the Board and the senior management.**

Audit Committee

The Audit Committee currently comprises six members, including

five Independent Non-executive Directors, namely Mr. SHAN Weijian, Dr. FUNG Victor Kwok King, Mr. KOH Beng Seng, Mr. TUNG Chee Chen and Mr. TUNG Savio Wai-Hok, and one Non-executive Director, Mr. ZHOU Zaiqun. Independent Non-executive Directors make up 83% of the Committee members. The Audit Committee is chaired by Mr. SHAN Weijian, an Independent Non-executive Director.

The Audit Committee assists the Board in performing the duties in respect of the Company and its subsidiaries in, among others, the following areas:

- effectiveness of internal audit function and performance appraisal of the Head of Group Audit;
- appointment of external auditor and assessment of its qualification, independence and performance and, with authorisation of the Board, determination of its remuneration;
- periodic review and annual audit of the Company's and the Group's financial statements, and financial and business review;
- compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures; and
- integrity of financial statements and financial reporting process;
- internal control systems;

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- corporate governance framework of the Group and implementation thereof.

The work performed by the Audit Committee during 2012 included the review and, where applicable, approval of:

- the Company's Directors' Report and financial statements for the year ended 31 December 2011 and the annual results announcement that were recommended to the Board for approval;
- the Company's interim financial statements for the six months ended 30 June 2012 and the interim results announcement that were recommended to the Board for approval;
- the Company's announcements on quarterly financial and business review for the period ended 31

March 2012 and 30 September 2012 that were recommended to the Board for approval;

- the audit reports and report on internal control recommendations submitted by external auditor, and the on-site examination reports issued by regulators;
- the appointment of external auditor, the fees payable to external auditor for the annual audit, interim review and other non-audit services;
- the Company's audit plan for 2012 and key issues identified;
- the deployment of human resources and pay level of the Internal Audit and its budget for 2012; and
- the 2011 performance appraisal of and 2012 key performance indicators for the Head of Group Audit and the Group Audit.

The "Policy on Staff Reporting of Irregularities" adopted by the Board is proved to be effective. During the year, reports on a number of cases were received and handled satisfactorily through the channels and procedures set out in the said Policy.

Pursuant to paragraph C.2 of the Corporate Governance Code, the Audit Committee conducted an annual review of the effectiveness of the internal control systems of the Group in 2012. The review covers all the material internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Group's accounting and financial reporting functions. Details of the relevant review will be elaborated in the sub-section headed "Internal Control".

Seven Audit Committee meetings were held during 2012 with an average attendance rate of 90%. Individual attendance records of the relevant Directors are set out as follows:

Directors	Number of committee meetings attended	Attendance rate
Mr. SHAN Weijian (<i>Chairman</i>)	6 out of 7	86%
Mr. ZHOU Zaiqun	7 out of 7	100%
Dr. FUNG Victor Kwok King	5 out of 7	71%
Mr. KOH Beng Seng	7 out of 7	100%
Mr. TUNG Chee Chen	6 out of 7	86%
Mr. TUNG Savio Wai-Hok	7 out of 7	100%



Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises five members, including two Non-executive Directors, namely Mr. LI Lihui and Mr. LI Zaohang, and three Independent Non-executive Directors, namely Mr. TUNG Chee Chen, Mr. SHAN Weijian and Mr. TUNG Savio Wai-Hok. It was chaired by Mr. TUNG Chee Chen, an Independent Non-executive Director of the Board. With effect from 9 January 2012, Mr. LI Lihui resigned as the Chairman of Nomination and Remuneration Committee, but remained as a member; Mr. TUNG Chee Chen was appointed as the Chairman; Dr. FUNG Victor Kwok King resigned as a member and Mr. TUNG Savio Wai-Hok was appointed as a member in place of Dr. FUNG Victor Kwok King. Prior and subsequent to such changes, the Independent Non-executive Directors represent 60% of the Committee members.

The Nomination and Remuneration Committee assists the Board in performing the duties in respect of the Company and its subsidiaries in, among others, the following areas:

- human resources, remuneration strategy and incentive framework of the Group;
- selection and nomination of Directors, Board Committee members and certain senior executives as designated by the Board from time to time (defined as "Senior Management");

- structure, size and composition (including skills, experience and knowledge) of the Board and Board Committees;
- remuneration of Directors, Board Committee members, Senior Management and Key Personnel;
- effectiveness of the Board and Board Committees;
- training and continuous professional development of Directors and Senior Management; and
- code of conduct applicable to employees.

Key tasks performed by the Nomination and Remuneration Committee during 2012 included the approval, review and proposal to the Board on the following according to the responsibilities and authorities:

- formulation, review and amendment on the major human resources and remuneration policies, including adjustment and optimisation of the derivation method of the Group Bonus Funding based on the Board's approved business objectives and positioning of NCB (China) to facilitate a successful strategic transformation by strengthening incentive mechanic and; to enhance indicators used in the Risk Adjustment Method based on the Bank's latest risk management profile, by introducing more quantitative measures, to make the Risk

Adjustment Method more scientific and objective; to review the identification criteria of "Senior Management", "Key Personnel", "Key Employee Group" and "Risk Control Personnel" as delineated in the "Guideline on a Sound Remuneration System" published by HKMA, as well as the review of specified jobs for "Senior Management" and "Key Personnel" in accordance with the changes in organisational structure and risk management requirements;

- performance appraisal results of the Executive Directors and Senior Management for year 2011;
- proposal on staff bonus for year 2011 and salary adjustment for year 2012 for the Group, including the Senior Management;
- key performance indicators of the Group and the Senior Management for year 2012;
- proposal on human resources budget of the Group for year 2012 and 2013;
- monitoring the implementation progress of the Group's medium-term human resources strategies and other major human resources policies;
- analysis and report of self-evaluation results of the Board and Board Committees, put forward recommendations to the Board to further enhance the functions and effectiveness of the Board and Board Committees;

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- recruitment of an Independent Non-executive Director of the Company, include considering the candidates from the open and global recruitment conducted by the Search Committee in the sense of their professional knowledge and abilities, and recommending to the Board on the proposed candidate; and
- consideration of the matters relating to the adjustment and appointment of directors in major subsidiaries of the Group.

Pursuant to the “**Policy on Directors’ Remuneration**” adopted by the Company, when recommending the remuneration of Directors, the Committee should benchmark against

companies of comparable business type or scale, and job nature and workload at both the Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate Directors fairly. **No individual Director is allowed to participate in the procedures for deciding**

his/her individual remuneration package. Information relating to the remuneration of each Director for 2012 is set out in Note 4 to the financial statements of this Summary Financial Report. The present scale of Director’s fees, including additional fees for membership of Board Committees, is given below:

Board of Directors:	
All Directors	HK\$200,000 p.a.
Board Committees:	
Chairman	HK\$100,000 p.a.
Other Committee members	HK\$50,000 p.a.

Note: For the year ended 31 December 2012, all Non-executive Directors waived their Directors’ fee as mentioned above.

The Nomination and Remuneration Committee also has the delegated responsibility to **determine the remuneration packages of the Executive Directors and Senior Management, including long-term incentive, share option, benefits in kind, pension rights and compensation payments**

(including any compensation payable for loss or termination of their office or appointment, early payout of deferred remuneration), as well as the performance-based remuneration. Moreover, it will recommend to the Board on their remuneration package upon joining, sign-on

bonus and contract guaranteed bonus, etc.

Six Nomination and Remuneration Committee meetings were held during 2012 with an average attendance rate of 83%. Attendance records of relevant Directors are set out as follows:

Directors	Number of committee meetings attended	Attendance rate
Mr. TUNG Chee Chen (<i>Chairman</i>) (<i>Note</i>)	6 out of 6	100%
Mr. LI Lihui	5 out of 6	83%
Mr. LI Zaohang	6 out of 6	100%
Dr. FUNG Victor Kwok King (<i>Note</i>)	0 out of 1	0%
Mr. SHAN Weijian	4 out of 6	67%
Mr. TUNG Savio Wai-Hok (<i>Note</i>)	4 out of 5	80%

Note: With effect from 9 January 2012, Mr. LI Lihui resigned as the Chairman of Nomination and Remuneration Committee, but remained as a member of the Committee; Mr. TUNG Chee Chen was appointed as the Chairman of Nomination and Remuneration Committee; in addition, Dr. FUNG Victor Kwok King resigned as a member of the Nomination and Remuneration Committee and Mr. TUNG Savio Wai-Hok was appointed as a member in place of Dr. FUNG Victor Kwok King.



Risk Committee

The Risk Committee comprises four members, including two Non-executive Directors, namely Mr. LI Zaohang and Mr. CHEN Siqing, and two Independent Non-executive Directors, namely Mr. KOH Beng Seng and Mr. TUNG Savio Wai-Hok. The Risk Committee is chaired by Mr. KOH Beng Seng.

The Risk Committee assists the Board in performing the duties in respect of the Company and its subsidiaries in, among others, the following areas:

- formulation of the risk appetite and risk management strategy of the Group and determination of the Group's risk profile;
- identification, assessment and management of material risks faced by various business units of the Group;
- review and assessment of the adequacy and effectiveness of the Group's risk management policies, system and internal control;
- review and monitoring of the Group's capital management;
- review and approval of the Group's target balance sheet;

- review and monitoring of the Group's compliance with the risk management policies, system and internal control, including the Group's compliance with prudential, legal and regulatory requirements governing the businesses of the Group;
- review and approval of high-level risk-related policies of the Group;
- review and approval of significant or high risk exposures or transactions; and
- review of key reports, including risk exposure reports, model development and validation reports, and credit risk model performance reports.

The work performed by the Risk Committee during 2012 included the following:

- review/approval of policies, including the "BOCHK Group Operating Principles", the "Risk Management Policy Statement of BOCHK Group", the "Capital Management Policy", the "Staff Code of Conduct", the "Policy for Validating Internal Rating Systems", the "Connected Transactions Management Policy", and a range of risk management

policies covering strategic risk, credit risk, market risk, liquidity risk, interest rate risk, operational risk, legal, compliance and reputation risk and stress testing, etc;

- review/approval of the risk adjustment method for group bonus funding mechanics;
- review/approval of the Group's operating plans, including the Group's target balance sheets, the BOCHK's banking book investment plans and portfolio key risk indicators, results of Internal Capital Adequacy Assessment Process (ICAAP), as well as risk management limits;
- review and monitoring of Basel II implementation, including approval of IRB models, review of model validation reports, receiving the implementation progress reports of IRB, as well as the status reports of the allocation of risk-weighted assets;
- review of various risk management reports; and
- review/approval of significant high risk exposures or transactions.

Six Risk Committee meetings were held during 2012 with an average attendance rate of 87%. Attendance records of relevant Directors are set out as follows:

Directors	Number of committee meetings attended	Attendance rate
Mr. KOH Beng Seng (<i>Chairman</i>)	6 out of 6	100%
Mr. LI Zaohang	6 out of 6	100%
Mr. CHEN Siqing	4 out of 6	67%
Mr. TUNG Savio Wai-Hok	5 out of 6	83%

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Strategy and Budget Committee

The Strategy and Budget Committee comprises six members, including two Non-executive Directors, namely Mr. ZHOU Zaiqun and Mr. CHEN Siqing, and three Independent Non-executive Directors, namely Dr. FUNG Victor Kwok King, Mr. NING Gaoning and Mr. TUNG Savio Wai-Hok and Mr. HE Guangbei, the Chief Executive as well as the Executive Director of the Company. Mr. NING Gaoning was appointed as a member of the Strategy and Budget Committee with effect from 24 August 2012. The Strategy and Budget Committee is chaired by Mr. ZHOU Zaiqun, a Non-executive Director.

The Strategy and Budget Committee assists the Board in performing the duties in respect of the Company and its subsidiaries in, among others, the following areas:

- drafting, review of, making motion, and monitoring the Group's medium to long-term strategies;

- drafting and review of the process of formulating the Group's medium to long-term strategies to ensure that they are sufficiently robust to take into account a range of alternatives;
- monitoring the implementation of the Group's medium to long-term strategies through pre-determined metrics and providing guidance to the Management;
- review of and monitoring the Group's regular/periodic (including annual) business plans and financial budgets; and
- making recommendations to the Board on major capital expenditures, merger & acquisition and strategic commitments of the Group and monitoring the implementation thereof.

During the year, the Strategy and Budget Committee played a prominent role in providing guidance and monitoring the implementation of the Group's short-term business

strategies and driving the formulation and implementation of the Group's key business strategies, such as the development of China business, RMB business, private banking business, etc. In response to the new operating environment which posed new opportunities and challenges to the implementation of bank strategies, the Strategy and Budget Committee discussed the overseas development of Chinese peer banks from the Mainland and BOCHK's strategies. In addition, it also reviewed and monitored the implementation of the Group's financial budgets and business plans for 2012. The Strategy and Budget Committee also reviewed and endorsed the Group's financial budgets and business plans for the year 2013 and recommended the same to the Board for approval.

Six Strategy and Budget Committee meetings were held during 2012 with an average attendance rate of 78%. Attendance records of relevant Directors are set out as follows:

Directors	Number of committee meetings attended	Attendance rate
Mr. ZHOU Zaiqun (<i>Chairman</i>)	6 out of 6	100%
Mr. HE Guangbei	6 out of 6	100%
Mr. CHEN Siqing	4 out of 6	67%
Dr. FUNG Victor Kwok King	4 out of 6	67%
Mr. NING Gaoning (<i>Note</i>)	0 out of 2	0%
Mr. TUNG Savio Wai-Hok	5 out of 6	83%

Note: Mr. NING Gaoning was appointed as a member of the Strategy and Budget Committee with effect from 24 August 2012.



Ad Hoc Committee

The Board established an ad hoc Search Committee during the year with details as follows:

Search Committee

The Search Committee was established in January 2012 to conduct an open recruitment to search for a suitably qualified candidate as an Independent Non-executive Director of the Company. The Committee was chaired by Dr. FUNG Victor Kwok King, an Independent Non-executive Director. Its members included Mr. HE Guangbei, an Executive Director, Mr. LI Lihui, a Non-executive Director and Mr. KOH Beng Seng, Mr. SHAN Weijian, Mr. TUNG Chee Chen and Mr. TUNG Savio Wai-Hok, four Independent Non-executive Directors. After several rounds of selection and with the recommendation of the Nomination and Remuneration Committee, the Board resolved to appoint Mr. NING Gaoning as an Independent Non-executive Director of the Company with effect from 24 August 2012.

Directors' Securities Transactions

The Company has established and implemented the "Code for Securities Transactions by Directors" (the "Company's Code") to govern securities transactions by Directors. Terms of the Company's Code are more stringent than the mandatory standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" as contained in Appendix 10 of the Listing Rules. Apart from the securities of the Company, the Company's Code also

applies to the Director's dealings in the securities of BOC which has been listed on the Stock Exchange of Hong Kong since June 2006. Upon inquiry by the Company, all Directors confirmed that they had strictly complied with the provisions as set out in both the Company's Code and the said Model Code throughout the year 2012.

Remuneration and Incentive Mechanism

The Remuneration and Incentive Mechanism of the Group is based on the principles of "effective motivation" and "sound remuneration management". It links remuneration with performance and risk factors closely. It serves to encourage staff to enhance their performance, and at the same time, to strengthen their awareness of risk so as to achieve sound remuneration management.

The Remuneration and Incentive Policy of the Group is applicable to the Company and all of its subsidiaries (including the branches and institutions in and out of Hong Kong).

• "Senior Management" and "Key Personnel"

The following groups of employees have been identified as the "Senior Management" and "Key Personnel" as defined in the HKMA's "Guideline on a Sound Remuneration System":

- "Senior Management": The senior executives designated by the Board who are responsible for oversight of the firm-

wide strategy or material business lines, including Chief Executive, Deputy Chief Executives, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Assistant Chief Executive, Board Secretary and Head of Group Audit.

- "Key Personnel": The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including heads of material business lines, heads of major subsidiaries, Head of Trading and Chief Dealer, as well as heads of risk control functions.

• Determination of the Remuneration Policy

To fulfil the above-mentioned principles and to facilitate effective risk management within the framework of the Remuneration Policy of the Group, the Remuneration Policy of the Group is initiated by Human Resources Department with consultation of the risk control units including risk management, financial management and compliance in order to balance the needs for staff motivations, sound remuneration and prudent risk management. After the proposed Remuneration Policy

is cleared by the Management Committee, it will be submitted to the Nomination and Remuneration Committee for review and thereafter to the Board for approval. The Nomination and Remuneration Committee and the Board will seek opinions from other Board Committees (e.g. Risk Committee, Audit Committee, etc.) where they consider necessary under the circumstances.

- **Key Features of the Remuneration and Incentive Mechanism**

1. *Performance Management Mechanism*

To reflect the “performance-driven” corporate culture, the Group has put in place a performance management mechanism to formalise the performance management at the levels of the Group, units and individuals. The annual targets of the Group will be cascaded down under the framework of balanced scorecard whereby the performance of the “Senior Management” and different units (including business units, risk control units and other units) would be assessed from the perspectives of financial, customer, building blocks/key tasks, human capital, risk management and compliance. For individual staff at different levels, annual targets of the Group will be tied to their job requirements through the performance management mechanism. Performance of individuals will be appraised on their achievement against targets, their contribution towards

performance of their units and fulfilment of risk management duties and compliance. Not only is target accomplishment taken into account, but the risk exposure involved during the course of work could also be evaluated and managed, ensuring security and normal operation of the Group. Core values are also assessed to facilitate the attainment of them.

2. *Risk Adjustment of Remuneration*

To put the principle of aligning performance and remuneration with risk into practice, based on “The Risk Adjustment Method for Group Bonus Funding Mechanics”, the key risk modifiers of the Bank have been incorporated into the performance management mechanism of the Group. The size of the Variable Remuneration Pool of the Group is calculated according to the risk adjusted performance results approved by the Board and is subject to the Board’s discretion. This method ensures the Group to fix the Group’s Variable Remuneration Pool after considering risk exposures and changes and to maintain effective risk management through the remuneration mechanism.

“The Risk Adjustment Method for Group Bonus Funding Mechanics” was reviewed this year. With professional advices sought from the Risk Committee, the enhancement was approved by the Board after review carried out by the Nomination and Remuneration Committee. The framework of using credit risk,

market risk, interest rate risk, liquidity risk, operational risk, legal risk, compliance risk and reputation risk was maintained. To be more scientific and objective, more quantitative measures were introduced based on the Bank’s latest risk management profile.

3. *Performance-based and Risk-adjusted Remuneration Management*

The remuneration of staff is composed of “fixed remuneration” and “variable remuneration”. The proportion of one to the other for individual staff members depends on job grades, roles, responsibilities and functions of the staff with the prerequisite that balance has to be struck between the fixed and variable portion. Generally speaking, the higher the job grades and/or the greater the responsibilities, the higher will be the proportion of variable remuneration so as to encourage the staff to follow the philosophy of prudent risk management and sound long-term financial stability.

Every year, the Group will conduct periodic review on the fixed remuneration of the staff with reference to various factors like remuneration strategy, market pay trend and staff salary level, and will determine the remuneration based on the affordability of the Group as well as the performance of the Group, units and individuals. As mentioned above, performance assessment criteria include quantitative and qualitative factors, as well as financial and non-financial indicators.



According to the Group Bonus Funding Mechanics, the size of the Variable Remuneration Pool of the Group is determined by the Board on the basis of the financial performance of the Group and the achievement of non-financial strategic business targets under the long-term development of the Group. Thorough consideration is also made to the risk factors in the determination process. The size of the Pool is reached based on pre-defined formulaic calculations but the Board can make discretionary adjustment to it if deemed appropriate under prevailing circumstances. When the Group's performance is relatively weak (e.g. failed to meet the threshold performance level), no variable remuneration will be paid out that year in principle, however, the Board reserves the rights to exercise its discretion.

As far as individual units and individual staff are concerned, allocation of the variable remuneration is closely linked to the performance of the units, and that of each individual staff as well as the unit he/she is attaching to, and the assessment of which should include risk modifiers. The performance and remuneration arrangement of risk control personnel are determined by the achievement of their core job responsibilities, independent from the business they oversee; for front-line risk controllers, a matrix reporting and performance management system is applied to ensure the suitability of performance-based remuneration. Within the acceptable risk level

of the Group, the better the performance of the unit and the individual staff, the higher will be the variable remuneration for the individual staff.

4. *Linking the payout of the variable remuneration with the time horizon of the risk to reflect the long-term value creation of the Group*

To work out the principle of aligning remuneration with the time horizon of risk and to ensure that sufficient time is allowed to ascertain the associated risk and its impact before the actual payout, payout of the variable remuneration of staff is required to be deferred in cash if such amount reaches certain prescribed threshold. The Group adopts a progressive approach towards deferral. The longer the time horizon of risk in the activities conducted by the staff, the higher the job grade or the higher amount of the variable remuneration, the higher will be the proportion of deferral. Deferral period lasts for 3 years.

The vesting of the deferred variable remuneration is linked with the long term value creation of the Group. The vesting conditions are linked to the yearly performance (financial and non-financial) of the Group in the next 3 years to the effect that the variable remuneration could only be vested to such extent as set for the relevant year in that 3-year period subject to the condition that the Group's performance has met the threshold requirement in the corresponding year. In case of material revision of the original

estimates of the performance of the Group or individual units, or if a staff is found to commit fraud, or found to be of malfeasance or in violation of internal control policies, the unvested portion of the deferred variable remuneration of the relevant staff will be clawed back.

• **External Remuneration Consultant**

To ensure the suitability and competitiveness of the remuneration and incentive mechanism, the Group appointed Towers Watson Pennsylvania Inc. and McLagan for independent consultation in areas of pay management mechanism of Senior Management and market remuneration data.

External Auditor

With the recommendation of the Audit Committee, the Board has proposed Ernst & Young to be appointed as the new auditor of the Company at the Company's 2013 annual general meeting to hold office until the conclusion of the next forthcoming annual general meeting of the Company. Subject to shareholders' authorisation, the Board will authorise the Audit Committee to determine the remuneration of Ernst & Young. Pursuant to the "Policy on External Auditor Management" adopted by the Board, the Audit Committee reviewed and monitored and was satisfied with the independence and professionalism of Ernst & Young, based on the principles and standards set out in the said Policy that were in line with international best practices. PricewaterhouseCoopers, the existing auditor of the Company, will retire upon expiration of its current term of office at the Company's 2013 annual general meeting.

For 2012, the fee paid by the Group to PricewaterhouseCoopers was HK\$37 million, of which HK\$33 million was for audit services and HK\$4 million related to other services. For 2011, the fee charged by PricewaterhouseCoopers was HK\$38 million, of which HK\$32 million was for audit services and HK\$6 million related to other services.

Internal Control

The Board has the responsibility to ensure that the Group maintains sound and effective internal controls to safeguard the Group's assets. According to the Board's scope of delegation, the Management is responsible for the day-to-day operations and risk management.

The internal control system is designed to provide appropriate assurance against material misstatement or loss; to manage the risk of system failure; and to assist in the achievement of the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

The Group conducts an annual review of the effectiveness of its internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements,

namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Group's accounting and financial reporting functions. The review is coordinated by the Group's internal audit which, after the Management and various business departments have performed their self-assessment, then carries out an independent examination and other post-assessment work on the review process and results. The results of the 2012 review have been reported to the Audit Committee and the Board.

The key procedures that the Group has essentially established and implemented to provide internal controls are summarised as follows:

- a rational organisational structure with appropriate personnel is developed and whose responsibility, authority, and accountability are clearly delineated. The Group has formulated policies and procedures to ensure reasonable checks and balances for all the operating units, reasonable safeguard for the Group's assets, the implementation of internal controls and adherence to relevant laws and regulations and risk management in its operations;

- the Management draws up and continuously monitors the implementation of the Group's strategies, business plans and financial budgets. The accounting and management systems that are in place provide the basis for evaluating financial and operational performance;
- the Group has various risk management and human resources policies. There are specific units and personnel that are responsible for identifying, assessing and managing all the major risks. These include reputation, strategic, legal, compliance, credit, market, operational, liquidity and interest rate risks (The Group's risk management is given on page 39 to page 43 in this Summary Financial Report);
- the Group has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the Management, business units and the regulatory bodies in assessing and monitoring the Group's operation and performance. Proper communication channels and reporting mechanisms are in place at various business units and levels to facilitate exchange of information;



- pursuant to a risk-based approach and in accordance with the internal audit plan approved by the Audit Committee, the Group's internal audit conducts independent reviews on such aspects as financial activities, various business areas, various kinds of risks, operations and activities. Reports are submitted directly to the Audit Committee. The Group's internal audit closely follows up on the items that require attention in a systematic way and reports to the Management and the Audit Committee in a timely manner; and
- the Audit Committee reviews the reports submitted by external auditor to the Group's Management in connection with the annual audit as well as the recommendations made by regulatory bodies on internal control. The Group's internal audit follows up on the same to ensure timely implementation of the recommendations, and also periodically reports the status of the implementation to the Management and the Audit Committee.

The Group is committed to upholding good corporate governance practices and the internal control system of all subsidiaries are reviewed regularly. During the year of 2012, continuous improvements on the organisation structure and segregation of duty, the risk management policy and procedure, and the enhancement of disclosure transparency have been undertaken by the Group. In response

to internal and external changes in global economic condition, operating environment, regulatory requirement and business development, the Group has implemented a series of measures and undertaken an on-going review on the effectiveness of the internal control mechanism. In 2012, areas for improvement have been identified and appropriate measures have been implemented.

Communication with Shareholders

The Board attaches a high degree of importance to continuous communication with shareholders, particularly through direct dialogue with them at the Company's annual general meetings. Shareholders are encouraged to actively participate in such meetings.

Mr. XIAO Gang, the former Chairman of the Board who resigned on 17 March 2013, Mr. TUNG Chee Chen, the Chairman of the Nomination and Remuneration Committee, Mr. KOH Beng Seng, the Chairman of the Risk Committee, Mr. ZHOU Zaiqun, the Chairman of the Strategy and Budget Committee, four members of the Audit Committee on behalf of the Chairman of the Audit Committee, and representatives of PricewaterhouseCoopers were present at the Company's 2012 annual general meeting held on 29 May 2012 at Four Seasons Grand Ballroom, Level 2, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong to respond to enquiries raised by shareholders. Mr. SHAN Weijian and Mr. TUNG Savio Wai-Hok, the Chairman and a member of the Audit Committee respectively were unable to attend the meeting due to other business engagements.

Save as disclosed above, all other Directors including Mr. LI Lihui, Mr. HE Guangbei, Mr. LI Zaohang, Mr. CHEN Siqing, Mr. GAO Yingxin and Dr. FUNG Victor Kwok King were also present at the meeting. Resolutions passed at the Company's 2012 annual general meeting included: adoption of the Company's 2011 financial statements, declaration of 2011 final dividend, re-election of Directors, re-appointment of auditor and the grant of general mandates to the Board to issue and repurchase shares of the Company.

As disclosed in the 2011 Annual Report of the Company, in view of the investors' concern regarding the potential dilution of the shareholders' value arising from the exercise of power pursuant to the grant of a general mandate to issue shares to the Board, the Board has voluntarily reduced the general mandate to issue shares of up to 5% of the issued share capital as compared to the 20% limit permitted under the Listing Rules in the event that the issue of shares is for cash and not related to any acquisition of assets for approval by the shareholders at the 2012 annual general meeting. The Board would also recommend the said 5% threshold at the forthcoming 2013 annual general meeting for approval by shareholders. Further, given its commitment to high standards of corporate governance, the Board also adopted certain **internal policies for the exercise of the powers granted to the Board under the general mandates to issue shares solely for cash and repurchase shares.** The relevant policies are summarised as follows:

- the Board will not exercise the mandate at a discount that will result in significant dilution of shareholders' value. In the exercise of such power to issue shares for cash, the Board will have regard to factors such as the Group's capital adequacy ratio, and in particular, its Tier 1 capital, cost and benefit of raising Tier 2 capital, need for cash for the Group's business development, the principle that shareholders should be treated equally and the alternative of conducting a rights issue; and
- the Board has set the triggering events for the exercise of the power to repurchase shares, which include: market price of the Company's shares is lower than the fair value of the shares; the Group has surplus funds which is in excess of its short to mid term development requirements; and the Board considers it proper and appropriate to exercise the general mandate for enhancing the return on equity or net assets or earnings per share of the Company. In general, such purchases will be made on the Stock Exchange. However, if it is expected that the size of the purchases may lead to a disorderly market for the Company's shares, then the Board will consider making the purchases through a general offer, i.e. offer to all existing shareholders in proportion to their respective shareholdings. The price at which shares are repurchased will not be higher than the fair value of the shares of the Company.

All the resolutions proposed at the Company's 2013 annual general meeting will be voted on by poll. Accordingly, the Company will engage Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, to act as the scrutineer for such purpose. The results of the poll voting will be posted on the Company's website and the Stock Exchange's website as soon as practicable following conclusion of the vote-counting for shareholders' information.

Besides, in order that shareholders can have a better understanding of the agenda items to be discussed at the 2013 annual general meeting and to encourage their active participation so that exchange of views and communication can be further enhanced, **the Company has provided detailed information on the 2013 annual general meeting in a circular to shareholders** which includes introduction to the proposed resolutions to be approved at the annual general meeting, information on the retiring Directors who are eligible for re-election and information on voting and other issues relating to the 2013 annual general meeting in the form of "Frequently Asked Questions".

Shareholders' Rights

Shareholders are entitled to convene an extraordinary general meeting, make any proposals at shareholders' meetings and propose a person for election as a Director. Please see the detailed procedures as follows:

- the way in which shareholders can convene an extraordinary general meeting:**

Any shareholder(s) holding not less than 5% of the issued capital of the Company may request the Board to convene an extraordinary general meeting. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company, 52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Section 113 of the Companies Ordinance once a valid requisition is received.

- the procedures for making proposals at shareholders' meetings:**

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

- any number of members representing not less than 2.5% of the total voting rights of the Company on the date of the requisition; or
- not less than 50 members holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK\$2,000.



The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company, (52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong), not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 115A of the Companies Ordinance once valid documents are received.

- **the procedure for Director's nomination and election by shareholders:**

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should lodge at the registered office of the Company (52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong), (a) a notice signed by such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; and (b) a notice signed by the

proposed person indicating his/her willingness to be elected.

The period during which the aforesaid notices may be given will be at least seven days. Such period will commence on the day after the despatch of the notice of the general meeting for which such notices are given and end no later than seven days prior to the date of such general meeting. The Company would take appropriate actions and make necessary arrangements, and the shareholder concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Article 99 of the Articles of Association of the Company once valid notices are received.

Shareholders are welcome to send in any written enquiries to the Board for the attention of the Company Secretary either by post to the registered office of the Company at 52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong or by way of email to investor_relations@bochk.com. The Company Secretary would direct the enquiries received to appropriate Board Member(s) or the Chairman of the Board Committee(s) who is in charge of the areas of concern referred therein for further handling. The Board, assisted by the Company Secretary, would make its best efforts to ensure that all such enquiries are addressed in a timely manner.

Directors' Responsibility Statement in relation to Financial Statements

The following statement should be read in conjunction with the auditor's statement of their responsibilities as set out in the auditor's report contained in this Summary Financial Report. The statement aims to distinguish the responsibilities of the Directors and the auditor in relation to the financial statements.

The Directors are required by the Hong Kong Companies Ordinance to prepare financial statements, which give a true and fair view of the state of affairs of the Company. The financial statements should be prepared on a going concern basis unless it considers inappropriate. The Directors are responsible for ensuring that the accounting records kept by the Company at any time reasonably and accurately reflect the financial position of the Company, and also ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance. The Directors also have duties to take reasonable and practicable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements contained in this Summary Financial Report, the Company has adopted appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.



COMPREHENSIVE
CROSS-BORDER
FINANCIAL SERVICE





In the fourth issue of RMB sovereign bonds in Hong Kong, BOCHK was appointed as one of the Joint Coordinators, Lead Managers and Bookrunners



CORPORATE SOCIAL RESPONSIBILITY



We actively participated in different RMB seminars and conferences locally and globally to promote Hong Kong as an offshore RMB business centre

At the Group, sustainability is at the core of how we manage our business and plan for our development. We incorporate Corporate Social Responsibility ("CSR") in our business operation and strategy to achieve our vision of becoming the premier choice for customers, employees, shareholders and investors.

The Group has made significant progress in CSR measurement and reporting. Our first standalone CSR Report which followed the Global Reporting Initiative G3.1 Guidelines was published in 2012. Covering a wide range of areas in CSR and sustainability through more systematic data collection, the report enhances the disclosure and transparency of our accomplishments in CSR.

The Group's outstanding performance with regard to sustainability has earned us broad recognition. For three years in a row, BOC Hong Kong (Holdings) Limited has

been included as a constituent of the *Hang Seng Corporate Sustainability Index Series*. The Company's ranking has moved up from 18th in 2011 to 12th in 2012, with the rating upgraded from "A" (satisfactory) to "AA-" (stable). In addition, BOCHK has been named as a *Caring Company* by the Hong Kong Council of Social Service ("HKCSS") since 2002. We recognise the importance of high standards of corporate governance and thus maintain an effective corporate governance framework. In compliance with the relevant requirements of international and local corporate governance best practices, BOC Hong Kong (Holdings) Limited was presented the *Award for Corporate Governance Excellence* under the Category for Hang Seng Index Companies by the Chamber of Hong Kong Listed Companies for two successive years. All these recognitions demonstrated, once again, our prominent advancement in environmental, social and corporate governance initiatives.

At the Grand Inauguration of our premier Private Banking Service, we launched our unique "1+1+1" service model to help high-net-worth customers meet their personal, family and business needs



Customer-centric through Innovation and Service

In the ever-changing market environment, we strive to embrace customer service values by enhancing our products and service platform. We are also committed to promoting the development of Hong Kong as a major financial hub and offshore RMB centre.

Ongoing innovation to meet diverse customer needs

The Group fully supports the development of offshore RMB business in Hong Kong. We strive to provide comprehensive and convenient services to our customers. Following the regulatory extension of RMB services to non-Hong Kong residents in August 2012, we promptly offered diversified RMB services in all branches.

To better serve the increasing needs from RMB trade settlement, we continued to enrich our products. We launched the multi-currency shipping finance product in RMB which was designed to help minimise risks associated with the movement of RMB exchange rates for both shipowners and shipyards. This product was a breakthrough in the traditionally USD-dominated shipping market and earned us the *Innovation Award – Business Innovation* from the Lloyd's List. Through the close collaboration with our parent, BOC, we enhanced our capabilities in serving cross-border enterprises by launching a number of cross-border trade finance products. These included the acceptance L/C discounting, RMB offshore import/export finance, RMB outward documentary bills supplemented by deliverable forward solutions, as well as CNH swaps for Hong Kong subsidiaries of the Mainland enterprises to hedge FX risks.

For our RMB settlement services, we have extended our service hours to 9:30 pm (Hong Kong time) from Monday to Friday since June 2012 for the setting up of RMB telegraphic transfer and express transfer (CHATS) instructions through Internet and Mobile Banking. This service enables customers in different time zones to enjoy same-day settlement of their remittances.

In view of the growing demand for RMB insurance products, our insurance arm, BOC Life has broadened its product range by launching the IncomeGrowth Annuity Insurance Plan offering immediate annuity income to customers. RMB riders, the first of its kind in Hong Kong, were also introduced to provide customers with greater flexibility and wider protection. Our ongoing efforts in offering quality and innovative RMB services won us four honours in the *Hong Kong Offshore RMB Centre – 1st RMB Business Outstanding Awards* organised by Metro Finance in 2012.

During the year, we enhanced our investment product suite by helping investors to grasp RMB market opportunities. BOCHK participated in the underwriting of 14 offshore RMB bonds, including the fourth issuance of RMB sovereign bonds. The ground-breaking issuance of China Development Bank's 20-year offshore RMB bonds extended the yield curve of offshore RMB bonds in Hong Kong. We are also a leading distributor by offering customers a wide choice of 13 RMB Qualified Foreign Institutional Investor funds

in Hong Kong. Our asset management arm, joined hands with the World Bank to launch the "BOCHK – World Bank Emerging Markets Bond Fund", the first global emerging market currency bond fund in Hong Kong with a China theme. During the year, our Asset Management was also granted five prestigious *2012 Best of the Best Awards* by Asia Asset Management.

For our mortgage business, we pioneered the 1-Day Approval Mortgage Service. This enables eligible home buyers to obtain formal approval results of their mortgage loan applications more expediently.

BOCHK's Global Custody business has established an extensive sub-custodian network to cover multiple markets around the world. Our outstanding cross-border custody service received the award as the *Best Asian Bank for Cross-Border Custody* from the AsianInvestor.



We introduced the first-ever RMB cash deposit machine in Hong Kong





The “BOCHK – World Bank Emerging Markets Bond Fund” is the first global emerging market currency bond fund in Hong Kong with a China theme



Supporting Local Enterprises

Local enterprises are an important pillar of growth of the Hong Kong economy. To meet the financing and liquidity needs of commercial customers, BOCHK offered a privileged guarantee fee subsidy in 2012 to support the Special Concessionary Measures of the SME Financing Guarantee Scheme of the Hong Kong Mortgage Corporation. We also supported the new Microfinance Scheme to provide assistance to those who wish to start their own businesses, become self-employed, upgrade their skills or obtain professional qualifications.

To recognise the outstanding achievements of local industrialists and manufacturers, we continued to sponsor the *Young Industrialist Awards of Hong Kong* and the *Hong Kong Awards for Industries*.

Enhancing Service Platforms

The Group is committed to meeting the banking needs of local customers from all walks of life. We provide the most extensive branch network among Hong Kong banks with 269 branches and over 1,000 automated banking machines in Hong Kong, including the first RMB cash deposit machines.

With an aim to provide more convenient banking services, we further upgraded our electronic channels. We are the first banking group in Hong Kong to launch the Mobile Banking functions for IPO shares subscription and IPO financing application. A dedicated hotline and free connection from BOC’s hotline to ours have been set up for customers in the Mainland to obtain investment information with ease. The pioneering chip-based BOC card was launched with enhanced ATM security. At the same time, the CUP QuickPass and Unionpay Online Payment introduced by BOC-CC provide new and flexible electronic payment solutions and online platform for merchants. By connecting customers’ accounts maintained separately in Hong Kong and the Mainland, the new “NCB Wealth Express Card Service” launched by NCB jointly with NCB (China) offers greater flexibility in cross-border financial management and features the hassle-free auto-sweeping function.

Caring Banking Services

Special procedures for the handling of design and planning of the branches and ATMs are continuously reviewed for customers with specific needs. All newly renovated branches have already incorporated barrier-free facilities, such as sloping platforms, to facilitate disabled customers to enter the branches. For ATM services, the Group launched the first-ever Voice Navigation ATM in Hong Kong to assist the visually impaired in using ATMs. All of our ATMs feature protruding symbols which further improve those customers’ access to ATM services. In addition, all newly installed or replaced ATMs are designed with the height of both keypads and screens suitable for wheelchair access, and around 93% of ATMs have soft keypads. We have also designed our Internet Banking with functions for visually impaired customers, including the support of screen readers and provision for font resizing.

The Group also offers monthly fee waivers on deposit accounts to senior citizens aged 65 or above, account holders aged below 18, and recipients of Government Disability Allowances/Comprehensive Social Security Assistance. Other special banking privileges are offered to senior citizens aged 65 or above. BOCHK strives to provide elderly customers with a flexible financial solution and becomes a leading bank offering the “Reverse Mortgage Programme” from 2011. In 2011/2012, we assisted eligible Hong Kong citizens in registering for “Scheme HK\$6,000” of the Hong Kong Special Administrative Region (“HKSAR”) Government via our branches or Internet Banking and enabling payments to be received through bank transfer.

Contributing to the Community We Serve

With our roots in Hong Kong, BOCHK attaches great importance to our community and considers the fulfilment of social responsibility as crucial for creating and maintaining our long-term core competences. Over the years, through the BOCHK Charitable Foundation (“the Foundation”), we actively participate in a diverse range of charitable activities, covering education and culture, sports and arts, environmental protection, and social welfare and assistance to the needy in Hong Kong and the Mainland of China.



The opening of our innovative Causeway Bay Branch brings new banking experience to our customers



BOCHK Dynamic Volunteer Team extended our message of caring to people from all walks of life by joining different social activities

Building a Harmonious Community

The Group encourages employee participation in various community and charity activities. As at 2012, over 1,300 staff members registered as members of our Dynamic Volunteer Team. All our staff receives one-day annual leave for volunteer activities. During the year, we joined 55 service activities, including the "Green Concert – Power Generating Challenge", the "Hong Kong Geopark Charity Green Walk" and other volunteer events organised jointly with a number of charity organisations. By supporting various fund-raising activities in 2012, BOCHK helped raise a total donation of over HK\$13.2 million for social welfare agencies.

In 2009, we set up the "BOCHK's Caring Hong Kong – A Heart Warming Campaign" with the net proceeds from the sale of the Olympic Commemorative Banknote. The objectives of the campaign are to assist disadvantaged groups and to build a harmonious community. As at the end of 2012, an aggregate of HK\$87 million was approved under the campaign to support 78 large-scale projects of the member social welfare agencies of the Community Chest of Hong Kong and HKCSS. Over 900,000 service attendees have benefitted from these donations.

Recognising the importance of corporate citizenship, BOCHK has been the lead sponsor of the "Hong Kong Corporate Citizenship Programme" organised by the Hong Kong Productivity Council ("HKPC") for three consecutive years. The aim of the programme is to encourage enterprises to adopt social responsibility principles in their business strategies and management philosophies. The programme also develops a number of initiatives to enhance young people's awareness of social responsibility.



Our staff joined the "Long March for Education Walkathon" of Sowers Action to help improve rural education

Spreading the Message of Caring

Caring has no boundaries. The Group has extended its support to Yunnan in the Mainland of China through participating in the "Long March for Education Walkathon" of Sowers Action. In 2012, we formed a team of 30 existing and retired staff members to take part in the 10-day Walkathon to Shangri-la in Yunnan. Over HK\$800,000 was raised to help improve rural education. We also donated some basic necessities to children in the mountain areas. We have supported the Walkathon for the fourth consecutive year since 2009. With a commitment to undertake CSR in the Mainland communities it serves, NCB (China) continued to support a local school called Yangping School with donations.

Through our credit card company, BOC-CC, we continuously support various social welfare organisations to collect donations. Charities can enjoy waivers of the transaction processing fees for the donations made with BOC credit cards by cardholders.

We fully supported the "Bank of China Hong Kong Sports Stars Awards" to recognise the excellent performance of athletes and promote their sportsmanship



Nurturing Future Talent

We spare no effort in nurturing our younger generation to build a better society. The Foundation has awarded HK\$15.4 million scholarships and bursaries to nine universities in Hong Kong since 1990, benefitting a total of 1,661 students. The Group also organised the "Summer Internship Programme" offering university and tertiary institution students valuable internship opportunities.

To reinforce our commitment to support tertiary education, BOCHK established the Financial Services Learning Centre in cooperation with the Hong Kong Institute of Vocational Education ("IVE") to provide a simulated branch environment for formal financial training. Under the programme, students can acquire practical banking knowledge and customer service skills effectively through role playing. To give students opportunities to apply what they have learnt, BOCHK provided over 200 vacancies of the position of Customer Service Officer to IVE graduates by the end of 2012.

To promote the importance of CSR among enterprises and the youth, we sponsored the "Hong Kong Corporate Citizenship Programme"



The Group also continued to support youth development. Our insurance arm, BOC Life, has sponsored the "Meet Challenge in Wudang" for two consecutive years, a martial art training programme organised by the Hong Kong Federation of Youth Groups. The programme aims to help the participants to build up their physical and mental strength during their stay at the Wudang Monastery in Hubei Province, China. In 2012, a total of 40 youths from local tertiary institutions participated.

Fostering a Culture of Sport for All

Participation in sports not only promotes good health, but also the development of a positive attitude towards life. We advocate the "Sport for All" message in the community through sponsorship of the "Bank of China Hong Kong Sports Stars Awards" and "Festival of Sport" for seven years in a row. In the online public voting of the "Hong Kong Sports Stars Awards 2012" held in 2013, we recorded a total of over 145,000 votes, representing an increase of 1.3 times from 63,000 votes in 2011.

Badminton is a key sports initiative of the Foundation. A total of more than HK\$13 million was allocated for the development of the badminton over the past 14 years, with more than 1 million participants. Over HK\$4 million has been donated to the "Badminton Development and Training Scheme 2011-2014" for organising a diverse range of competitions, family fun days, training courses, reward programmes and demonstration sessions, recording over 125,000 participants in 2012.

For 10 consecutive years, the Foundation has sponsored the "Hong Kong Island & Kowloon Regional Inter-school Sports Competition", the largest school sports competition of its kind in Hong Kong. The competition's top honours, *BOCHK Bauhinia Bowls Award* and *BOCHK Rising Star Award*, have

"BOCHK Banknote Exhibition" displayed to the general public over 200 pieces of our precious collection of banknotes





been set up to foster the talents of young athletes. In 2012, we recorded over 80,000 athlete enrolments from 269 schools, which participated in more than 8,000 matches of this competition.

Promoting Culture

Music and art provide us not only with cultural appreciation but also inspiration for personal development. In celebration of the Centenary of BOC and the 15th anniversary of the establishment of HKSAR, we solely sponsored the "International Military Tattoo" presented by the Home Affairs Bureau and organised by the Leisure and Cultural Services Department. The military tattoo featured stunning marching and military music performances by over 1,000 representatives from 12 world famous military bands. We offered 1,870 free tickets to the underprivileged groups so as to share this spectacular show with them. The entire event, including two free open-air performances and a series of "meet-the-band" sessions, attracted an audience of more than 43,800.

BOCHK endeavours to promote cultural development by supporting a variety of programmes and exhibitions. We exclusively sponsored "A Testament of Friendship – Zhang Daqian Paintings and Calligraphy from the Collection of You Yi Tang" organised by Sotheby's Hong Kong in 2012. The exhibition showcased a magnificent ensemble of over 100 pieces of calligraphy and paintings collection by Zhang.

To mark the 100th anniversary of BOC in 2012, we issued the "Commemorative Banknote in Celebration of the Centenary of BOC" which was well received by the general public. We also held the "BOCHK's Banknote Exhibition" at the Bank of China Tower ("BOC Tower"), sharing a precious collection of about 200 pieces of banknote over the century from the late Qing Dynasty. This exhibition provided the public an opportunity to learn more about the historical and financial development of modern China.

We sponsored "A Testament of Friendship – Zhang Daqian Paintings and Calligraphy" to showcase a magnificent ensemble of over 100 pieces of calligraphy and paintings by Zhang



"Lang Lang in Recital"

During the year, the Foundation sponsored the "Majestic Drums XVI" organised by the Hong Kong Chinese Orchestra. It was an exciting "East meets West" percussion performance presented by Li Biao, the phenomenal percussionist, and the Philharmonic Percussion Group in Berlin. At the end of 2012, BOCHK specially presented "Lang Lang in Recital", with the world-class young talent performed an array of enchanting piano classics.

The "International Military Tattoo" featuring stunning military marching was well received by the public



Conservation of Resources for Environmental Protection

The Group is committed to conserving the environment. Through implementation of our Environmental Policy, we endeavour to minimise our environmental impact by reducing our carbon footprint, using resources more efficiently and effectively as well as promoting environmentally responsible business practices.

Building a Green Bank

We continued to implement energy efficiency and water saving measures in the Group's four main buildings including BOC Tower, Bank of China Building ("BOC Building"), Bank of China Centre ("BOC Centre") and the IT Centre in Fo Tan, Shatin. In addition, the Group supports resources recycling with an in-house recycling system for waste paper, aluminium cans and plastic bottles. We continue to carry out recycling projects with regard to batteries, compact fluorescent lamps, fluorescent tubes, toner cartridges and used computers on our premises. A food waste recycling scheme has been implemented in our staff canteen at the BOC Tower to promote food recycling. Our environmental practices have earned us recognition and environmental accreditations from a number of professional organisations for many years. In 2012, the BOC Tower has been included in the category of energy efficient buildings following the completion of an energy audit in accordance with the Buildings Energy Efficiency Ordinance.

To help reduce paper use, the Group continues to promote the use of e-Statement to customers. We encourage customers, shareholders and investors to view information at the Group's website. We also provide customers with sophisticated Internet Banking and Mobile Banking services. As at the end of 2012, the number of customers using our Internet and Mobile Banking increased significantly. In addition, those choosing to receive consolidated statements and investment statements in electronic form rose 53% and 26% respectively. The paper used for statements was substantially reduced by 47%.

In our new Causeway Bay Branch, we incorporated environmental elements in the design including the use of eco-friendly lighting and promotion of paperless transactions. We will adopt this design concept when renovating branches to enhance customer experience while minimising our environmental impact.

BOCHK has continuously consolidated and upgraded computer equipment to achieve further reduction in energy consumption. In recognition of our efforts, we received the Hong Kong ICT Awards: *Best Green ICT Grand Award* and *Best Green ICT (Adoption – Large-scale Enterprises) Gold Award* in 2012 from the Green ICT Consortium.

To demonstrate our efforts to promote low-carbon living, we participated in the "Eco Expo Asia" for the second consecutive year to exchange information with environmental experts and companies on air quality control and energy management.

The Group has put into practice its Sustainable Procurement Policy and Supply Chain Code of Conduct since 2011. During the year, a Self-Assessment Questionnaire was sent to 73 companies supplying goods and services to the Group.

To promote low-carbon living, we supported the "Eco Expo Asia" with active participation by the public



The assessed suppliers were in compliance with the Code of Conduct and ensured that the content and packaging of their products could be recycled and environmental certification was obtained. Corporate and marketing literature, as well as Lunar New Year cards and posters are printed on paper with environmental certification by the Forest Stewardship Council. Company motor vehicles are economy models.

Since 2009, we have participated in the global environmental initiative "Earth Hour" organised by WWF to raise public awareness of the global climate change. Shark's fin, endangered reef species and black mosses have not been served at corporate banquets since 2009. To pledge our support for the conservation of sharks, the Group has signed the "No Shark's Fin Pledge" initiated by WWF Hong Kong since 2011, discontinuing the supply or serving of shark's fin and promotions related to shark's fin.

Promoting Green Credit Services

Recognising the importance of environmental protection to conducting ethical business, we have incorporated environmental, social and governance factors into our lending and credit policies, to ensure more sustainable business growth for both the Group and the community.

In 2012, we continued to offer the "Green Equipment Financing Scheme" through our collaboration with the HKPC to encourage corporate customers to purchase environment-friendly equipment. We also provided the "Energy Efficiency Loan Scheme" launched jointly with the two electricity companies in Hong Kong to extend loans to commercial and industrial customers for the implementation of energy saving initiatives.

In Support of Bio-environmentalism

Environmental education is another key focus of our CSR work. In 2011-2012, the Foundation sponsored the "1,000 Environment-Friendly Youth Ambassadors Action" organised by the eight national authorities of the PRC. Under the programme, an Energy and Water Conservation Contest was held for the primary and secondary students in Hong Kong and the Mainland.



Around 1,200 contestants have been selected in the Contest and appointed as Youth Ambassadors to play an active role in arousing public awareness about energy saving and carbon reduction in their communities.

BOCHK spearheaded the “Hong Kong Geopark Charity Green Walk”, which brought together the important elements of environmental protection and charity. Over 100 eco-tours were organised for 9,500 customers, citizens, staff members and their companions to better understand Hong Kong’s geo-conservation. In addition, the “Itinerary Planner Contest” was launched in 2012 and more than 300 new immigrants and members from the underprivileged groups were invited to take part in the eco-tours free of charge to explore the geological wonders.

Since 2011, we have also jointly organised the “Global Geopark E-Classroom” with the Agriculture, Fisheries and Conservation Department and the Association for Geo-conservation, Hong Kong (“AGHK”). The first-ever E-Classroom provides local and overseas students with an online platform to learn more about geo-conservation from world class experts. About 10 online sessions were held as at September 2012.

To further promote the significance of environmental protection, we cooperated with the AGHK in launching other eco-friendly initiatives, including the “Floating Geopark Kiosk” and the first-ever “Hong Kong Global Geopark of China – Prehistoric Story Room” which features life on earth at the BOC Tower. Designed to showcase the geological spectacles of the Hong Kong Geopark to the world in an interactive way, these initiatives have

We pioneered the “Master of Ceremony Talent Training and Competition” which received overwhelming response from staff



To encourage innovation among staff, we organise a variety of team work building activities



The Group recruits talents from universities every year and provides multi-facet training programmes for their career advancement



received overwhelming responses. Since the opening of the Prehistoric Story Room in October 2011, it has welcomed more than 94,000 visitors and over 680 visiting organisations as at the end of 2012.

People-oriented with Team Spirit

People are important asset for the Group and CSR helps increase the sense of belonging among our staff and has a positive impact on staff morale. We have laid a solid foundation for future business development with a well-established and comprehensive talent management and training system.

Staff Training and Development

The Group has a staff team of over 14,000, including talented professionals from different backgrounds with diverse experience and expertise. We recruit highly qualified management and business professionals, as well as graduates of tertiary institutions and universities.

We have in place a systematic talent development mechanism underpinned by a “four-in-one” approach involving senior executives, departmental heads, human resources personnel and individual staff. By formulating talent management strategy, planning for career advancements, rotating jobs, and encouraging staff to pursue further education, our talent management is closely aligned with the Group’s long-term strategy. The Group offers diverse and multi-facet training programmes such as in-house training, cross-posting, secondment and mentorship schemes to prepare our staff for career advancement. We continue to nurture our future talent through our Management Trainee, Officer Trainee and Summer Internship Programmes.



To enhance the leadership and strategic thinking capabilities of our management staff, we offer various programmes of renowned universities such as Richard Ivey School of Business and Cambridge University. Capitalising on the flexibility of the e-learning platform, we cultivate a continuous learning atmosphere by allowing staff to fulfil their learning objectives online. In 2012, we were granted the honourable award of *ERB Manpower Developer 1st* by the Employees Retraining Board for two successive years.

In addition, staff is encouraged to improve themselves by attaining professional qualifications. BOCHK received the *Qualifications Framework Partnerships Commendation* issued by the Education Bureau in 2012, for designing a training curriculum with reference to Specifications of Competency Standards and promoting the qualifications framework in our manpower development.

We continue to strengthen our culture of compliance. By organising workshops and making compliance training courses mandatory for every staff, we strive to uphold the Group's compliance management approach and to comply with relevant regulatory requirements.

We identify and reward outstanding staff and distinguished teams in our annual award presentation

Employee Benefits

The Group is committed to providing its staff with competitive remuneration packages. In addition, we believe the provision of a congenial workplace is as crucial to achieving good performance. The Group has been providing free and regular body check-ups, competitive medical schemes and counselling services to our staff. Moreover, to adopt family-friendly employment practices, we offer our staff early leave from duty on their birthdays and on the days of special festivals. We also offer paid paternity leave to our staff.

Employee Engagement

The Group conducts "online staff engagement survey" to collect staff opinions for continuous enhancement of our working environment, management policies and measures. Appreciation and recognition are important to motivate staff. We, therefore, identify and reward outstanding staff and distinguished teams in our annual award presentation.

Work-life Balance

We proactively encourage staff to maintain a good work-life balance. Different recreational activities are organised for our staff and their family members. Our staff fun day at the Hong Kong Ocean Park in September 2012 recorded a phenomenal turnout, with over 20,000 staff members and their families participated.



"Staff Fun Day at Hong Kong Ocean Park"





A diverse range of staff recreational activities are organised to advocate work-life balance and strengthen the bonding among all levels of staff

Serving Our Shareholders with a Solid Foundation

The Group is committed to safeguarding shareholders' interests by enhancing corporate governance and ensuring a higher degree of transparency. For details, please refer to "Corporate Governance", "Investor Relations" and "Management's Discussion and Analysis" in the Annual Report.

We believe CSR creates long-term value for the Group, which will remain its priority going forward. We will continue to uphold our CSR and strengthen the communication with our stakeholders to contribute our part in the sustainable development of our economy, environment and society.

AWARDS AND RECOGNITION

Financial Strength and Corporate Governance

- The world's second strongest bank and the top among banks in Hong Kong (**Bloomberg Markets**)
- Award for Corporate Governance Excellence (Hang Seng Index Companies) for two consecutive years (**The Chamber of Hong Kong Listed Companies**)
- Corporate Governance Asia Recognition Awards (**Corporate Governance Asia Magazine**)

THE WORLD'S SECOND
STRONGEST BANK
THE TOP AMONG BANKS
IN HONG KONG
Bloomberg Markets
2012



RMB Business

- In the capacity of the Sole Global Coordinator of China Development Bank's issuance of its 20-year offshore RMB bonds:
Triple A Regional Awards: Best Local Currency Bond and Best Dim Sum Bond (**Asset**)
Triple A Country Awards: Best Deal (China) (**Asset**)
- Innovation Award – Business Innovation in the Lloyd's List Global Awards (**Lloyd's List**)
- Excellent Brands of RMB Banking Service and Mortgage Service of the Hong Kong Leaders' Choice Brand Awards (**Metro Finance**)
- Hong Kong Offshore RMB Centre – 1st RMB Business Outstanding Awards presented by **Metro Finance**, **Metro Finance Digital** and **Wen Wei Po**:
Outstanding Retail Banking Business – Traditional Retailing
Outstanding Retail Banking Business – Diversified Businesses

Outstanding Corporate/Commercial Banking Business – International Trade

Outstanding Insurance Business

- Best of the Best Awards presented to BOCHK Asset Management by **Asia Asset Management**:
Best RMB Bonds, Offshore (One Year)
Most Innovative Product
Best Newcomer
Best RMB Offshore Manager in Asia
CEO of the Year (Hong Kong)
- Campaign in the issuance of RMB Sovereign Bonds in Hong Kong: Silver Prize for Financial Public Relations (**10th China International Public Relations Association Awards**)
- RMB Business Advertisements: Bronze Award for Campaigns – Multi-Media (**International Astrid Awards**)





Service Excellence

- Best Asian Bank for Cross-Border Custody in the AsianInvestor Service Provider Awards (**AsianInvestor**)
- Best SME's Partner Award for five consecutive years (**The Hong Kong General Chamber of Small and Medium Business**)
- Quality Recognition Award (US Dollar Clearing) for 14 consecutive years (**JPMorgan Chase**)
- Quality Management System of ISO 9001: 2008 Certification presented to the Loans Division of the Bank-wide Operation Department (**SGS Hong Kong**)
- China's Most Reliable Bank presented to NCB (China) by **CFO World**:
Best Offshore Business Award
Best Cross-border Trade Settlement Award
Best Corporate E-Banking Award
- My Favourite "The Most Convenient" MTR Shops – Excellence Award (**Mass Transit Railway Corporation**)
- 44th Distinguished Salesperson Awards (**Hong Kong Management Association** and **Sales and Marketing Executives International**)
- Financial Management Planners – Certificates of Merit in the 7th HKIB Outstanding Financial Management Planner Awards (**The Hong Kong Institute of Bankers**)
- Awards presented by the **Hong Kong Call Centre Association**:
APCCAL Recognition Award – Best Contact Centre in Sustainability
Mystery Caller Assessment Award – Gold
Outbound Contact Centre Team Leader of the Year – Gold
Contact Centre Technical Support Professional of the Year – Gold
- Silver Award in the Customer Service Excellence Award – Individual Award (Internal Support Service) (**Hong Kong Association for Customer Service Excellence**)
- Sing Tao Excellent Services Brand Award – Mortgage Service (**Sing Tao Daily**)
- BOC Express Cash: Elite Brand Awards – Bank Credit Service (**The Sun**)



AWARDS AND RECOGNITION

2013年銀行卡同業年會

- Awards presented to BOC-CC by various organisations:
Customer Complaint Management of ISO 10002 Certification
(Hong Kong Quality Assurance Agency)

China UnionPay:

Largest Card Number (Credit Card) – Gold Award – Hong Kong
Highest Card Volume (Credit Card) – Gold Award – Hong Kong
Highest Acquiring Volume – Gold Award – Hong Kong
Highest Acquiring Volume Growth – Gold Award – Hong Kong
Bank of the Year Award – Hong Kong and Macau

Visa International:

Global Service Quality Performance Award – Commercial Issuer
Largest Card Growth – Hong Kong
Platinum Card Best Performance – Macau
Highest Payment Volume and Largest Payment Volume Growth – Macau
Commercial Card Largest Payment Volume Growth – Macau
Highest Merchant Sales Volume – Macau
Cross-border Largest Outbound Volume Growth – Macau

MasterCard Worldwide:

Best New Youth Segment MasterCard Card Programme in Hong Kong: BOC i-card
Highest Market Share: Number of Open Cards and Merchant Purchase Volume in Macau – Champion
Highest Market Share: Cardholder Spending and e-Commerce Cardholder Spending Volume in Macau – Champion



Social Responsibility

- BOC Hong Kong (Holdings) Limited 2010/2011 Corporate Social Responsibility Report:
Silver Award for Annual Reports – Specialised: Sustainability Report **(International Astrid Awards)**
Honours for Annual Reports – Sustainability Report **(International Galaxy Awards)**
- Silver Prize for Corporate Social Responsibility **(10th China International Public Relations Association Awards)**

i) Caring for the needy

- Caring Company for 10 consecutive years **(The Hong Kong Council of Social Service)**
- Jade Award of Web Care Award **(Internet Professional Association)**

NCB, BOC-CC and BOC Life:

- Caring Company **(The Hong Kong Council of Social Service)**

NCB:

- Heart to Heart Company **(The Hong Kong Federation of Youth Groups)**

BOC-CC:

- Gold Award for Volunteer Service **(Social Welfare Department)**

Professional Training

- ERB Manpower Developer 1st **(Employees Retraining Board)**
- Qualifications Framework Partnerships Commendation **(Education Bureau)**
- Outstanding New Trainer Award in the Awards for Excellence in Training and Development **(Hong Kong Management Association)**
- Strategic Partner Award **(Vocational Training Council)**



AWARDS AND RECOGNITION



ii) Environmental Protection

- Best Green ICT Grand Award and Best Green ICT (Adoption – Large-scale Enterprises) Gold Award in the Hong Kong ICT Awards (**Green ICT Consortium**)
- **International Astrid Awards**
Hong Kong Geopark Charity Green Walk: Silver Award for Campaigns – Climate/Environmental Awareness
Hong Kong Global Geopark of China – Prehistoric Story Room: Bronze Award for Green Marketing – Earth Science
- The Beauty of GEO ROCKS – BOCHK Hong Kong Geopark Photo Competition Album: Bronze Award for Special Projects – Book (**International Astrid Awards**) and Honours for Design – Photography (**International Galaxy Awards**)



BOC Tower, BOC Building, BOC Centre and Bank of China Wanchai Commercial Centre:

- ISO 14001 Certification (**UKAS**)
- Certificate of Quality Water Recognition Scheme for Building (**Water Supplies Department**)

BOC Tower and BOC Centre:

- Indoor Air Quality Certificate – Excellent Class (**Environmental Protection Department**)
- Energy Management System of ISO 50001:2011 Certification (**SGS Hong Kong**)
- Hygiene Control Management Systems Certificate (**SGS Hong Kong**)

BOC Tower:

- In the category of energy efficient buildings

BOC Building:

- Indoor Air Quality Certificate – Good Class (**Environmental Protection Department**)

BOC Group Life Assurance Tower:

- Indoor Air Quality Certificate – Good Class (**Environmental Protection Department**)
- Certificate of Quality Water Recognition Scheme for Building (**Water Supplies Department**)

Innovation and Creativity

- Outstanding Corporate Image Award (**TVB Weekly**)
- Metro Creative Awards – The Best Green Ad: Hong Kong Geopark Charity Green Walk (**Metro Daily**)
- BOC Life's Love Weight: Honour (Finance and Investment Category) of TVB Most Popular TV Commercial Awards (**Televisions Broadcasts Limited**)
- **International ARC Awards**
Annual Report 2011 of BOC Hong Kong (Holdings) Limited: Silver for Interior Design: Banks: Regional and Bronze for Written Text: Banks: Regional

- **International Astrid Awards**
Desk Top Calendar: Gold Award for Calendars: Corporate
Seasons Greetings e-Cards: Silver Award for Websites – e-Card
Christmas and Chinese New Year Decorations of BOC Tower: Bronze Award for Self-Promotion: Christmas and Chinese New Year Decorations

International Galaxy Awards

- Christmas and Chinese New Year Decorations of BOC Tower: Gold Award for Design – Christmas and Chinese New Year Decorations



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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2012 HK\$'m	2011 HK\$'m
Interest income		35,413	31,931
Interest expense		(10,705)	(9,952)
Net interest income		24,708	21,979
Fee and commission income		11,110	10,858
Fee and commission expense		(3,204)	(3,025)
Net fee and commission income		7,906	7,833
Gross earned premiums		11,881	12,927
Gross earned premiums ceded to reinsurers		(5,430)	(7,244)
Net insurance premium income		6,451	5,683
Net trading gain		3,129	1,710
Net gain/(loss) on financial instruments designated at fair value through profit or loss		747	(340)
Net gain on other financial assets		750	308
Other operating income		589	525
Total operating income		44,280	37,698
Gross insurance benefits and claims		(14,147)	(13,844)
Reinsurers' share of benefits and claims		5,627	6,992
Net insurance benefits and claims		(8,520)	(6,852)
Net operating income before impairment allowances		35,760	30,846
Net charge of impairment allowances		(859)	(506)
Net operating income		34,901	30,340
Operating expenses		(11,402)	(7,862)
Operating profit		23,499	22,478
Net gain from disposal of/fair value adjustments on investment properties		1,889	2,213
Net gain/(loss) from disposal/revaluation of properties, plant and equipment		106	(34)
Share of profits less losses after tax of associates		27	23
Profit before taxation		25,521	24,680
Taxation		(3,974)	(3,867)
Profit for the year		21,547	20,813
Profit attributable to:			
Equity holders of the Company		20,930	20,430
Non-controlling interests		617	383
		21,547	20,813
Dividends		13,089	12,560
Earnings per share for profit attributable to the equity holders of the Company		HK\$	HK\$
Basic and diluted	3	1.9796	1.9323

The notes on pages 96 to 121 are an integral part of these Summary Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2012 HK\$'m	2011 HK\$'m
Profit for the year		21,547	20,813
Premises:			
Revaluation of premises		9,796	8,989
Deferred tax	7	(1,601)	(1,422)
		8,195	7,567
Available-for-sale securities:			
Change in fair value of available-for-sale securities		5,398	(548)
Release upon disposal of available-for-sale securities		(644)	(469)
Net reversal of impairment allowances on available-for-sale securities transferred to income statement		(2)	(7)
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities		(12)	(29)
Deferred tax	7	(730)	156
		4,010	(897)
Change in fair value of hedging instruments under net investment hedges		(7)	(117)
Currency translation difference		115	345
Other comprehensive income for the year, net of tax		12,313	6,898
Total comprehensive income for the year		33,860	27,711
Total comprehensive income attributable to:			
Equity holders of the Company		32,865	27,293
Non-controlling interests		995	418
		33,860	27,711

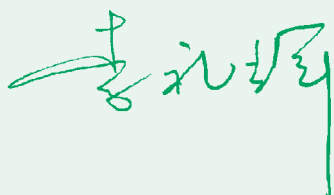
The notes on pages 96 to 121 are an integral part of these Summary Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December	Notes	2012 HK\$'m	2011 HK\$'m
ASSETS			
Cash and balances with banks and other financial institutions		198,748	278,795
Placements with banks and other financial institutions maturing between one and twelve months		66,025	107,910
Financial assets at fair value through profit or loss		49,332	48,602
Derivative financial instruments		31,339	26,787
Hong Kong SAR Government certificates of indebtedness		82,930	65,890
Advances and other accounts		819,739	755,229
Investment in securities		482,364	376,998
Interests in associates		259	234
Investment properties	5	14,364	12,441
Properties, plant and equipment	6	48,743	39,650
Deferred tax assets	7	89	210
Other assets		36,831	25,764
Total assets		1,830,763	1,738,510
LIABILITIES			
Hong Kong SAR currency notes in circulation		82,930	65,890
Deposits and balances from banks and other financial institutions		179,206	236,694
Financial liabilities at fair value through profit or loss		20,172	3,237
Derivative financial instruments		21,214	22,281
Deposits from customers		1,226,290	1,145,951
Debt securities in issue at amortised cost		5,923	5,985
Other accounts and provisions		47,983	41,811
Current tax liabilities		1,873	2,237
Deferred tax liabilities	7	7,406	5,365
Insurance contract liabilities		53,937	47,220
Subordinated liabilities		28,755	28,656
Total liabilities		1,675,689	1,605,327
EQUITY			
Share capital	8	52,864	52,864
Reserves	9	98,105	76,901
Capital and reserves attributable to the equity holders of the Company		150,969	129,765
Non-controlling interests		4,105	3,418
Total equity		155,074	133,183
Total liabilities and equity		1,830,763	1,738,510

The notes on pages 96 to 121 are an integral part of these Summary Financial Statements.

Approved by the Board of Directors on 26 March 2013 and signed on behalf of the Board by:



LI Lihui
Director



HE Guangbei
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These Summary Financial Statements have been prepared from the Annual Financial Statements of the BOC Hong Kong (Holdings) Limited ("Annual Financial Statements") for the year ended 31 December 2012.

The Annual Financial Statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance.

The Annual Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses.

2. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

2.1 Credit Risk

Credit risk is the risk of loss arising from that a customer or counterparty will be unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, on- and off-balance sheet exposures of a bank. It arises principally from the lending, trade finance and treasury businesses, and covers inter-bank transactions, foreign exchange and derivative transactions as well as investments in bonds and securities.

Credit exposures

The maximum exposure is a worst case scenario of credit risk exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

2.2 Market Risk

Market risk refers to the risk of losses arising from adverse movements in the value of foreign exchange, commodity, interest rate and equity positions held by the Group due to the volatility of financial market price (debt security price/interest rate, foreign exchange rate, equity price, commodity price). The Group adopts a robust market risk appetite to achieve a balance between risk and return. The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well established risk management regime and related measures.

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.2 Market Risk (continued)

(A) Currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts in HK dollars equivalent, categorised by the original currency.

	2012							
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	Euro HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	156,693	24,087	12,051	1,796	376	889	2,856	198,748
Placements with banks and other financial institutions maturing between one and twelve months	28,365	31,872	4,525	419	–	201	643	66,025
Financial assets at fair value through profit or loss	5,178	11,273	32,801	–	–	–	80	49,332
Derivative financial instruments	367	5,074	25,871	–	–	–	27	31,339
Hong Kong SAR Government certificates of indebtedness	–	–	82,930	–	–	–	–	82,930
Advances and other accounts	97,641	191,418	517,998	6,125	758	148	5,651	819,739
Investment in securities								
– Available-for-sale securities	61,840	193,050	89,735	8,080	77,766	353	23,908	454,732
– Held-to-maturity securities	948	10,672	2,042	–	1,912	–	2,824	18,398
– Loans and receivables	1,157	5,846	–	–	–	2,231	–	9,234
Interests in associates	–	–	259	–	–	–	–	259
Investment properties	112	–	14,252	–	–	–	–	14,364
Properties, plant and equipment	855	4	47,884	–	–	–	–	48,743
Other assets (including deferred tax assets)	14,982	1,998	18,794	548	226	51	321	36,920
Total assets	368,138	475,294	849,142	16,968	81,038	3,873	36,310	1,830,763
Liabilities								
Hong Kong SAR currency notes in circulation	–	–	82,930	–	–	–	–	82,930
Deposits and balances from banks and other financial institutions	82,762	48,667	45,710	102	50	26	1,889	179,206
Financial liabilities at fair value through profit or loss	776	48	18,525	7	–	6	810	20,172
Derivative financial instruments	382	3,682	16,621	337	–	–	192	21,214
Deposits from customers	234,719	246,065	683,270	11,156	3,393	12,127	35,560	1,226,290
Debt securities in issue at amortised cost	–	5,919	4	–	–	–	–	5,923
Other accounts and provisions (including current and deferred tax liabilities)	9,995	16,162	28,536	645	298	685	941	57,262
Insurance contract liabilities	17,550	6,400	29,987	–	–	–	–	53,937
Subordinated liabilities	–	22,006	–	6,749	–	–	–	28,755
Total liabilities	346,184	348,949	905,583	18,996	3,741	12,844	39,392	1,675,689
Net on-balance sheet position	21,954	126,345	(56,441)	(2,028)	77,297	(8,971)	(3,082)	155,074
Off-balance sheet net notional position*	(12,217)	(105,886)	190,779	1,917	(77,231)	8,714	3,305	9,381
Contingent liabilities and commitments	47,614	90,233	315,496	3,756	538	1,074	5,058	463,769

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.2 Market Risk (continued)

(A) Currency risk (continued)

	2011							
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	Euro HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	222,388	30,932	17,138	1,991	2,390	543	3,413	278,795
Placements with banks and other financial institutions maturing between one and twelve months	93,278	10,689	3,443	–	25	–	475	107,910
Financial assets at fair value through profit or loss	4,547	11,833	32,146	–	–	–	76	48,602
Derivative financial instruments	843	4,586	21,330	4	–	–	24	26,787
Hong Kong SAR Government certificates of indebtedness	–	–	65,890	–	–	–	–	65,890
Advances and other accounts	54,189	214,930	472,415	3,105	1,835	84	8,671	755,229
Investment in securities								
– Available-for-sale securities	27,671	149,143	58,883	9,467	44,335	251	26,648	316,398
– Held-to-maturity securities	17,015	20,522	8,262	1,089	2,125	–	4,914	53,927
– Loans and receivables	–	–	–	1,876	–	4,640	157	6,673
Interests in associates	–	–	234	–	–	–	–	234
Investment properties	106	–	12,335	–	–	–	–	12,441
Properties, plant and equipment	554	1	39,095	–	–	–	–	39,650
Other assets (including deferred tax assets)	9,381	412	15,007	423	381	72	298	25,974
Total assets	429,972	443,048	746,178	17,955	51,091	5,590	44,676	1,738,510
Liabilities								
Hong Kong SAR currency notes in circulation	–	–	65,890	–	–	–	–	65,890
Deposits and balances from banks and other financial institutions	155,582	40,110	38,668	40	181	5	2,108	236,694
Financial liabilities at fair value through profit or loss	203	51	2,665	–	–	–	318	3,237
Derivative financial instruments	886	4,025	16,752	393	1	1	223	22,281
Deposits from customers	245,375	231,136	596,308	13,634	1,756	14,434	43,308	1,145,951
Debt securities in issue at amortised cost	–	5,868	117	–	–	–	–	5,985
Other accounts and provisions (including current and deferred tax liabilities)	5,607	14,309	26,225	670	806	778	1,018	49,413
Insurance contract liabilities	10,728	6,501	29,991	–	–	–	–	47,220
Subordinated liabilities	–	22,031	–	6,625	–	–	–	28,656
Total liabilities	418,381	324,031	776,616	21,362	2,744	15,218	46,975	1,605,327
Net on-balance sheet position	11,591	119,017	(30,438)	(3,407)	48,347	(9,628)	(2,299)	133,183
Off-balance sheet net notional position*	604	(110,908)	148,444	3,118	(48,403)	9,634	2,402	4,891
Contingent liabilities and commitments	25,032	102,857	253,398	3,572	1,158	857	3,311	390,185

* Off-balance sheet net notional position represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.2 Market Risk (continued)

(B) Interest rate risk

The tables below summarise the Group's exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2012						
	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Non- interest bearing HK\$'m	Total HK\$'m
Assets							
Cash and balances with banks and other financial institutions	188,266	-	-	-	-	10,482	198,748
Placements with banks and other financial institutions maturing between one and twelve months	-	24,152	41,873	-	-	-	66,025
Financial assets at fair value through profit or loss	11,403	4,853	6,732	17,257	7,014	2,073	49,332
Derivative financial instruments	-	-	-	-	-	31,339	31,339
Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	82,930	82,930
Advances and other accounts	620,505	118,455	64,651	9,495	22	6,611	819,739
Investment in securities							
– Available-for-sale securities	69,387	117,085	66,886	131,589	66,150	3,635	454,732
– Held-to-maturity securities	2,600	5,666	811	7,402	1,919	-	18,398
– Loans and receivables	-	1,558	7,676	-	-	-	9,234
Interests in associates	-	-	-	-	-	259	259
Investment properties	-	-	-	-	-	14,364	14,364
Properties, plant and equipment	-	-	-	-	-	48,743	48,743
Other assets (including deferred tax assets)	-	-	-	-	-	36,920	36,920
Total assets	892,161	271,769	188,629	165,743	75,105	237,356	1,830,763
Liabilities							
Hong Kong SAR currency notes in circulation	-	-	-	-	-	82,930	82,930
Deposits and balances from banks and other financial institutions	159,083	1,483	208	-	-	18,432	179,206
Financial liabilities at fair value through profit or loss	10,017	6,286	3,475	255	139	-	20,172
Derivative financial instruments	-	-	-	-	-	21,214	21,214
Deposits from customers	919,431	129,374	110,938	5,969	38	60,540	1,226,290
Debt securities in issue at amortised cost	4	-	-	5,919	-	-	5,923
Other accounts and provisions (including current and deferred tax liabilities)	13,990	1,710	3,350	25	-	38,187	57,262
Insurance contract liabilities	-	-	-	-	-	53,937	53,937
Subordinated liabilities	-	-	6,749	-	22,006	-	28,755
Total liabilities	1,102,525	138,853	124,720	12,168	22,183	275,240	1,675,689
Interest sensitivity gap	(210,364)	132,916	63,909	153,575	52,922	(37,884)	155,074

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.2 Market Risk (continued)

(B) Interest rate risk (continued)

	2011						
	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Non- interest bearing HK\$'m	Total HK\$'m
Assets							
Cash and balances with banks and other financial institutions	269,960	–	–	–	–	8,835	278,795
Placements with banks and other financial institutions maturing between one and twelve months	–	48,637	59,273	–	–	–	107,910
Financial assets at fair value through profit or loss	5,732	10,339	5,474	13,080	11,878	2,099	48,602
Derivative financial instruments	–	–	–	–	–	26,787	26,787
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	65,890	65,890
Advances and other accounts	554,348	128,984	54,042	12,563	31	5,261	755,229
Investment in securities							
– Available-for-sale securities	60,433	64,432	42,885	97,200	46,949	4,499	316,398
– Held-to-maturity securities	5,336	14,862	8,299	17,992	7,438	–	53,927
– Loans and receivables	2,033	–	4,640	–	–	–	6,673
Interests in associates	–	–	–	–	–	234	234
Investment properties	–	–	–	–	–	12,441	12,441
Properties, plant and equipment	–	–	–	–	–	39,650	39,650
Other assets (including deferred tax assets)	–	–	–	–	–	25,974	25,974
Total assets	897,842	267,254	174,613	140,835	66,296	191,670	1,738,510
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	65,890	65,890
Deposits and balances from banks and other financial institutions	211,777	1,807	1,429	–	–	21,681	236,694
Financial liabilities at fair value through profit or loss	1,116	802	824	473	22	–	3,237
Derivative financial instruments	–	–	–	–	–	22,281	22,281
Deposits from customers	867,556	138,977	74,731	9,134	162	55,391	1,145,951
Debt securities in issue at amortised cost	96	20	13	5,856	–	–	5,985
Other accounts and provisions (including current and deferred tax liabilities)	13,137	1,001	2,849	–	–	32,426	49,413
Insurance contract liabilities	–	–	–	–	–	47,220	47,220
Subordinated liabilities	–	–	6,625	–	22,031	–	28,656
Total liabilities	1,093,682	142,607	86,471	15,463	22,215	244,889	1,605,327
Interest sensitivity gap	(195,840)	124,647	88,142	125,372	44,081	(53,219)	133,183

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.3 Liquidity Risk

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay the due obligations, and need to bear an unacceptable loss. The Group follows the sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and survive with net positive cumulative cash flow in extreme scenarios, without requesting HKMA to act as the lender of last resort.

Maturity analysis

Tables below analyse assets and liabilities of the Group as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2012							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	145,534	53,214	-	-	-	-	-	198,748
Placements with banks and other financial institutions maturing between one and twelve months	-	-	24,152	41,873	-	-	-	66,025
Financial assets at fair value through profit or loss								
– debt securities held for trading	-	67	64	14	-	-	-	145
– certificates of deposit held	-	11,075	3,855	3,454	6,585	4,159	-	29,128
– others	-	-	-	-	-	-	-	-
– debt securities designated at fair value through profit or loss	-	-	509	310	378	-	-	1,197
– certificates of deposit held	-	31	369	2,350	11,207	2,832	-	16,789
– others	-	-	-	-	-	-	2,073	2,073
– fund and equity securities	-	-	-	-	-	-	-	-
Derivative financial instruments	17,690	2,535	2,032	3,421	1,600	4,061	-	31,339
Hong Kong SAR Government certificates of indebtedness	82,930	-	-	-	-	-	-	82,930
Advances and other accounts								
– advances to customers	60,076	19,055	53,963	138,157	288,680	213,106	1,522	774,559
– trade bills	76	10,150	15,765	19,189	-	-	-	45,180
– advances to banks and other financial institutions	-	-	-	-	-	-	-	-
Investment in securities								
– debt securities held for available-for-sale	-	3,001	15,580	45,533	8,708	19	-	72,841
– certificates of deposit held	-	49,064	76,254	40,775	143,730	68,424	9	378,256
– others	-	-	-	-	-	-	-	-
– debt securities held for held-to-maturity	-	465	-	332	77	-	-	874
– certificates of deposit held	-	430	2,822	3,792	8,276	2,102	102	17,524
– others	-	-	1,558	7,676	-	-	-	9,234
– debt securities held for loans and receivables	-	-	-	-	-	-	-	-
– equity securities	-	-	-	-	-	-	3,635	3,635
Interests in associates	-	-	-	-	-	-	259	259
Investment properties	-	-	-	-	-	-	14,364	14,364
Properties, plant and equipment	-	-	-	-	-	-	48,743	48,743
Other assets (including deferred tax assets)	10,563	13,904	73	47	8,857	3,452	24	36,920
Total assets	316,869	162,991	196,996	306,923	478,098	298,155	70,731	1,830,763

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.3 Liquidity Risk (continued)

Maturity analysis (continued)

	2012							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Liabilities								
Hong Kong SAR currency notes in circulation	82,930	-	-	-	-	-	-	82,930
Deposits and balances from banks and other financial institutions	140,245	37,270	1,483	208	-	-	-	179,206
Financial liabilities at fair value through profit or loss								
– certificates of deposit issued	-	-	-	-	-	-	-	-
– others	-	10,017	6,287	3,475	254	139	-	20,172
Derivative financial instruments	13,022	668	865	1,766	3,602	1,291	-	21,214
Deposits from customers	701,678	276,068	129,269	111,327	7,910	38	-	1,226,290
Debt securities in issue at amortised cost	-	4	-	32	5,887	-	-	5,923
Other accounts and provisions (including current and deferred tax liabilities)	28,005	14,148	2,999	4,545	7,559	6	-	57,262
Insurance contract liabilities	3,281	493	3,068	1,070	24,655	21,370	-	53,937
Subordinated liabilities	-	-	418	-	-	28,337	-	28,755
Total liabilities	969,161	338,668	144,389	122,423	49,867	51,181	-	1,675,689
Net liquidity gap	(652,292)	(175,677)	52,607	184,500	428,231	246,974	70,731	155,074

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.3 Liquidity Risk (continued)

Maturity analysis (continued)

	2011							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Assets								
Cash and balances with banks and other financial institutions	213,787	65,008	–	–	–	–	–	278,795
Placements with banks and other financial institutions maturing between one and twelve months	–	–	48,637	59,273	–	–	–	107,910
Financial assets at fair value through profit or loss								
– debt securities held for trading								
– certificates of deposit held	–	–	–	15	62	–	–	77
– others	–	5,052	9,587	2,740	2,944	4,633	–	24,956
– debt securities designated at fair value through profit or loss								
– certificates of deposit held	–	–	8	7	927	496	–	1,438
– others	–	282	301	2,672	9,661	7,116	–	20,032
– fund and equity securities	–	–	–	–	–	–	2,099	2,099
Derivative financial instruments	18,640	541	732	1,341	1,934	3,599	–	26,787
Hong Kong SAR Government certificates of indebtedness	65,890	–	–	–	–	–	–	65,890
Advances and other accounts								
– advances to customers	55,319	21,353	52,703	140,462	232,840	193,258	614	696,549
– trade bills	31	10,577	21,847	24,046	–	–	5	56,506
– advances to banks and other financial institutions	–	–	155	2,019	–	–	–	2,174
Investment in securities								
– debt securities held for available-for-sale								
– certificates of deposit held	–	3,170	2,316	12,561	9,495	–	–	27,542
– others	–	43,824	44,025	40,829	105,225	50,412	42	284,357
– debt securities held for held-to-maturity								
– certificates of deposit held	–	226	192	2,293	333	–	–	3,044
– others	–	1,510	5,251	10,853	24,187	8,831	251	50,883
– debt securities held for loans and receivables	–	2,033	–	4,640	–	–	–	6,673
– equity securities	–	–	–	–	–	–	4,499	4,499
Interests in associates	–	–	–	–	–	–	234	234
Investment properties	–	–	–	–	–	–	12,441	12,441
Properties, plant and equipment	–	–	–	–	–	–	39,650	39,650
Other assets (including deferred tax assets)	8,749	8,548	21	152	7,350	1,126	28	25,974
Total assets	362,416	162,124	185,775	303,903	394,958	269,471	59,863	1,738,510

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.3 Liquidity Risk (continued)

Maturity analysis (continued)

	2011							
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	Total HK\$'m
Liabilities								
Hong Kong SAR currency notes in circulation	65,890	-	-	-	-	-	-	65,890
Deposits and balances from banks and other financial institutions	216,490	16,968	1,801	1,435	-	-	-	236,694
Financial liabilities at fair value through profit or loss								
– certificates of deposit issued	-	-	-	-	-	-	-	-
– others	-	1,116	802	825	472	22	-	3,237
Derivative financial instruments	13,661	700	771	1,491	3,945	1,713	-	22,281
Deposits from customers	583,005	337,186	137,991	76,830	10,777	162	-	1,145,951
Debt securities in issue at amortised cost	-	96	20	45	5,824	-	-	5,985
Other accounts and provisions (including current and deferred tax liabilities)	30,772	6,137	2,191	4,423	5,890	-	-	49,413
Insurance contract liabilities	1,530	729	866	4,379	26,458	13,258	-	47,220
Subordinated liabilities	-	-	419	1	-	28,236	-	28,656
Total liabilities	911,348	362,932	144,861	89,429	53,366	43,391	-	1,605,327
Net liquidity gap	(548,932)	(200,808)	40,914	214,474	341,592	226,080	59,863	133,183

The above maturity classifications have been prepared in accordance with relevant provisions under the Banking (Disclosure) Rules. The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as “On demand”. In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as “Indefinite”. The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity is disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

The above analysis in respect of insurance contract liabilities represents the estimated timing of net cash outflows resulting from recognised insurance contract liabilities on the balance sheet as at 31 December.

2.4 Insurance Risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting policies and reinsurance arrangements.

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.5 Capital Management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

The bases of regulatory capital calculation for credit risk, market risk and operational risk are described in Note 4.5 to the Financial Statements in the Annual Report. As a result of the change in the bases of regulatory capital calculation, the amounts shown below are not directly comparable.

(A) Capital adequacy ratio

	2012	2011
Capital adequacy ratio	16.80%	16.90%
Core capital ratio	12.31%	12.51%

The capital ratios are computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules.

(B) Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratio as at 31 December and reported to the HKMA is analysed as follows:

	2012 HK\$'m	2011 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	38,987	31,947
Profit and loss account	5,820	8,318
Non-controlling interests	1,658	1,605
Deductible item	(25)	–
	89,483	84,913
Deductions from core capital	(387)	(313)
Core capital	89,096	84,600
Supplementary capital:		
Fair value gains arising from holdings of available-for-sale securities	2,067	290
Fair value gains arising from holdings of securities designated at fair value through profit or loss	35	18
Collective loan impairment allowances	192	91
Regulatory reserve	539	253
Surplus provisions	3,963	3,354
Term subordinated debt	26,043	25,961
	32,839	29,967
Deductions from supplementary capital	(387)	(313)
Supplementary capital	32,452	29,654
Total capital base after deductions	121,548	114,254

Term subordinated debt represents subordinated liabilities qualified as Tier 2 Capital of BOCHK pursuant to the regulatory requirements of the HKMA.

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management (continued)

2.6 Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with banks and other financial institutions and Trade bills

The maturities of these financial assets and liabilities are within one year and the carrying value approximates fair value.

Advances to customers, banks and other financial institutions

Substantially all the advances to customers, banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Held-to-maturity securities

Fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Their carrying value approximates fair value.

Loans and receivables

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity and their carrying value approximates fair value.

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

Debt securities in issue at amortised cost

Fair value for senior notes and other debt securities in issue is based on market prices or broker/dealer price quotations. The carrying value and fair value of senior notes as at 31 December 2012 amounted to HK\$5,919 million (2011: HK\$5,856 million) and HK\$6,317 million (2011: HK\$6,007 million) respectively. The carrying value of other debt securities in issue approximates fair value.

Subordinated liabilities

The subordinated loans are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value. Fair value for subordinated notes is based on market prices or broker/dealer price quotations and their carrying value approximates fair value.

3. Earnings per share for profit attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2012 of approximately HK\$20,930million (2011: HK\$20,430 million) and on the ordinary shares in issue of 10,572,780,266 shares (2011: 10,572,780,266 ordinary shares).

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2012 (2011: Nil).

NOTES TO THE FINANCIAL STATEMENTS

4. Directors', senior management's and key personnel's emoluments

(a) Directors' and senior management's emoluments

(i) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Company in respect of their services rendered for the Company and managing the subsidiaries within the Group during the year are as follows:

	2012			
	Directors' fee HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Total HK\$'000
Executive Directors				
HE Guangbei (Chief Executive)	100	7,812	4,024	11,936
GAO Yingxin	100	5,438	2,441	7,979
	200	13,250	6,465	19,915
Non-executive Directors				
XIAO Gang	–	–	–	–
LI Lihui	–	–	–	–
LI Zaohang	–	–	–	–
ZHOU Zaiqun [#]	3,987	–	–	3,987
CHEN Siqing	–	–	–	–
FUNG Victor Kwok King*	301	–	–	301
KOH Beng Seng*	350	–	–	350
NING Gaoning*	89	–	–	89
SHAN Weijian*	350	–	–	350
TUNG Chee Chen*	349	–	–	349
TUNG Savio Wai-Hok*	399	–	–	399
	5,825	–	–	5,825
	6,025	13,250	6,465	25,740

Mr. XIAO Gang resigned as Chairman and Non-executive Director of the Company with effect from 17 March 2013; and Mr. NING Gaoning was appointed as an Independent Non-executive Director of the Company with effect from 24 August 2012.

NOTES TO THE FINANCIAL STATEMENTS

4. Directors', senior management's and key personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(i) Directors' emoluments (continued)

	2011			
	Directors' fee HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Total HK\$'000
Executive Directors				
HE Guangbei (Chief Executive)	100	7,265	4,836	12,201
GAO Yingxin	100	5,077	3,042	8,219
	200	12,342	7,878	20,420
Non-executive Directors				
XIAO Gang	–	–	–	–
LI Lihui	–	–	–	–
LI Zaohang	–	–	–	–
ZHOU Zaiqun [#]	2,435	–	–	2,435
ZHANG Yanling	–	–	–	–
CHEN Siqing	–	–	–	–
FUNG Victor Kwok King*	310	–	–	310
KOH Beng Seng*	350	–	–	350
SHAN Weijian*	350	–	–	350
TUNG Chee Chen*	300	–	–	300
TUNG Savio Wai-Hok*	350	–	–	350
	4,095	–	–	4,095
	4,295	12,342	7,878	24,515

Note:

[#] Includes fee as Chairman and Non-executive Director of Nanyang Commercial Bank, Limited

* Independent Non-executive Directors

In July 2002, options were granted to several directors of the Company by the immediate holding company, BOC (BVI), under the Pre-Listing Share Option Scheme. During the year, no options were exercised and no benefits arising from the granting of these share options were included in the directors' emoluments disclosed above or recognised in the income statement (2011: Nil).

For the year ended 31 December 2012, certain directors waived emoluments of HK\$2 million (2011: HK\$2 million), which include directors' fee from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

4. Directors', senior management's and key personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	2012 HK\$'m	2011 HK\$'m
Basic salaries and allowances	15	14
Bonus	7	7
Directors' fee from subsidiaries	1	1
	23	22

Emoluments paid to or receivable by individuals during the year with reference to their tenure were within the following bands:

	Number of individuals	
	2012	2011
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	2	1
HK\$11,000,001 – HK\$11,500,000	–	1
HK\$11,500,001 – HK\$12,000,000	1	–

(iii) Senior management's emoluments

Emoluments paid to or receivable by individuals during the year with reference to their tenure as senior management were within the following bands:

	Number of individuals	
	2012	2011
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$5,500,000	2	3
HK\$5,500,001 – HK\$6,000,000	2	1
HK\$7,500,001 – HK\$8,000,000	1	–
HK\$8,000,001 – HK\$8,500,000	–	1
HK\$11,000,001 – HK\$11,500,000	–	1
HK\$11,500,001 – HK\$12,000,000	2	–
HK\$12,000,001 – HK\$12,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

4. Directors', senior management's and key personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during the year

	2012					
	Senior Management			Key Personnel		
	Non-deferred HK\$'m	Deferred HK\$'m	Total HK\$'m	Non-deferred HK\$'m	Deferred HK\$'m	Total HK\$'m
Fixed remuneration Cash	46	–	46	51	–	51
Variable remuneration Cash	13	6	19	23	6	29
Total	59	6	65	74	6	80

	2011					
	Senior Management			Key Personnel		
	Non-deferred HK\$'m	Deferred HK\$'m	Total HK\$'m	Non-deferred HK\$'m	Deferred HK\$'m	Total HK\$'m
Fixed remuneration Cash	44	–	44	47	–	47
Variable remuneration Cash	15	7	22	22	8	30
Total	59	7	66	69	8	77

The remuneration above includes 10 (2011: 11) members of Senior Management and 22 (2011: 21) members of Key Personnel.

NOTES TO THE FINANCIAL STATEMENTS

4. Directors', senior management's and key personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

(ii) Deferred remuneration outstanding

	2012		2011	
	Senior Management HK\$m	Key Personnel HK\$m	Senior Management HK\$m	Key Personnel HK\$m
Deferred remuneration				
Vested	3	3	1	1
Unvested	12	11	9	8
	15	14	10	9
At 1 January	9	8	3	1
Awarded	6	6	7	8
Paid out	(3)	(3)	(1)	(1)
Reduced through performance adjustments	–	–	–	–
At 31 December	12	11	9	8

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

Senior Management: The senior executives designated by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Chief Executive, Deputy Chief Executives, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Assistant Chief Executive, Board Secretary and Head of Group Audit.

Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, including heads of material business lines, heads of major subsidiaries, Head of Trading and Chief Dealer, as well as heads of risk control functions.

NOTES TO THE FINANCIAL STATEMENTS

5. Investment properties

	2012 HK\$'m	2011 HK\$'m
At 1 January	12,441	10,342
Additions	2	14
Disposals	(62)	(25)
Fair value gains	1,885	2,200
Reclassification from/(to) properties, plant and equipment (Note 6)	98	(92)
Exchange difference	–	2
At 31 December	14,364	12,441

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	2012 HK\$'m	2011 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	2,754	2,261
On medium-term lease (10 – 50 years)	11,361	9,944
Held outside Hong Kong		
On long-term lease (over 50 years)	–	2
On medium-term lease (10 – 50 years)	249	234
	14,364	12,441

As at 31 December 2012, investment properties are included in the consolidated balance sheet at valuation carried out at 31 December 2012 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited. The fair value represents the estimated amount at which the asset should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS

6. Properties, plant and equipment

	Premises HK\$'m	Equipment, fixtures and fittings HK\$'m	Total HK\$'m
Net book value at 1 January 2012	37,049	2,601	39,650
Additions	358	687	1,045
Disposals	(147)	(9)	(156)
Revaluation	9,792	–	9,792
Depreciation for the year	(778)	(715)	(1,493)
Reclassification to investment properties (Note 5)	(98)	–	(98)
Exchange difference	2	1	3
Net book value at 31 December 2012	46,178	2,565	48,743
At 31 December 2012			
Cost or valuation	46,178	7,793	53,971
Accumulated depreciation and impairment	–	(5,228)	(5,228)
Net book value at 31 December 2012	46,178	2,565	48,743
Net book value at 1 January 2011	28,581	2,468	31,049
Additions	83	827	910
Disposals	(95)	(33)	(128)
Revaluation	8,989	–	8,989
Depreciation for the year	(610)	(667)	(1,277)
Reclassification from investment properties (Note 5)	92	–	92
Exchange difference	9	6	15
Net book value at 31 December 2011	37,049	2,601	39,650
At 31 December 2011			
Cost or valuation	37,049	7,414	44,463
Accumulated depreciation and impairment	–	(4,813)	(4,813)
Net book value at 31 December 2011	37,049	2,601	39,650

The analysis of cost or valuation of the above assets is as follows:

	Premises HK\$'m	Equipment, fixtures and fittings HK\$'m	Total HK\$'m
At 31 December 2012			
At cost	–	7,793	7,793
At valuation	46,178	–	46,178
	46,178	7,793	53,971
At 31 December 2011			
At cost	–	7,414	7,414
At valuation	37,049	–	37,049
	37,049	7,414	44,463

NOTES TO THE FINANCIAL STATEMENTS

6. Properties, plant and equipment (continued)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2012 HK\$'m	2011 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	16,913	12,792
On medium-term lease (10 – 50 years)	28,547	23,819
Held outside Hong Kong		
On long-term lease (over 50 years)	65	102
On medium-term lease (10 – 50 years)	632	321
On short-term lease (less than 10 years)	21	15
	46,178	37,049

As at 31 December 2012, premises are included in the consolidated balance sheet at valuation carried out at 31 December 2012 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited. The fair value represents the estimated amount at which the asset should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

As a result of the above-mentioned revaluations, changes in value of the Group's premises were recognised in the Group's premises revaluation reserve, the income statement and non-controlling interests as follows:

	2012 HK\$'m	2011 HK\$'m
Increase in valuation credited to premises revaluation reserve	9,718	8,918
Decrease in valuation charged to income statement	(4)	–
Increase in valuation credited to non-controlling interests	78	71
	9,792	8,989

As at 31 December 2012, the net book value of premises that would have been included in the Group's consolidated balance sheet had the assets been carried at cost less accumulated depreciation and impairment losses was HK\$6,904 million (2011: HK\$6,666 million).

NOTES TO THE FINANCIAL STATEMENTS

7. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with HKAS 12 “Income Taxes”.

The major components of deferred tax (assets)/liabilities recorded in the consolidated balance sheet, and the movements during the year are as follows:

	2012					
	Accelerated tax depreciation HK\$'m	Property revaluation HK\$'m	Losses HK\$'m	Impairment allowance HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2012	547	5,299	(131)	(451)	(109)	5,155
Charged/(credited) to income statement	17	(128)	(13)	(41)	(4)	(169)
Charged to other comprehensive income	–	1,601	–	–	730	2,331
At 31 December 2012	564	6,772	(144)	(492)	617	7,317

	2011					
	Accelerated tax depreciation HK\$'m	Property revaluation HK\$'m	Losses HK\$'m	Impairment allowance HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2011	535	3,881	(124)	(333)	90	4,049
Charged/(credited) to income statement	12	(5)	(7)	(116)	(43)	(159)
Charged/(credited) to other comprehensive income	–	1,422	–	–	(156)	1,266
Exchange difference	–	1	–	(2)	–	(1)
At 31 December 2011	547	5,299	(131)	(451)	(109)	5,155

NOTES TO THE FINANCIAL STATEMENTS

7. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2012 HK\$'m	2011 HK\$'m
Deferred tax assets	(89)	(210)
Deferred tax liabilities	7,406	5,365
	7,317	5,155

	2012 HK\$'m	2011 HK\$'m
Deferred tax assets to be recovered after more than twelve months	(154)	(141)
Deferred tax liabilities to be settled after more than twelve months	6,847	5,421
	6,693	5,280

As at 31 December 2012, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$718 million (2011: HK\$1,264 million). These tax losses do not expire under the current tax legislation.

8. Share capital

	2012 HK\$'m	2011 HK\$'m
Authorised: 20,000,000,000 ordinary shares of HK\$5 each	100,000	100,000
Issued and fully paid: 10,572,780,266 ordinary shares of HK\$5 each	52,864	52,864

NOTES TO THE FINANCIAL STATEMENTS

9. Reserves

	Attributable to the equity holders of the Company								Total equity HK\$'m
	Share capital HK\$'m	Premises revaluation reserve HK\$'m	Reserve for fair value changes of available-for-sale securities HK\$'m	Regulatory reserve* HK\$'m	Translation reserve HK\$'m	Retained earnings HK\$'m	Total HK\$'m	Non-controlling interests HK\$'m	
At 1 January 2011	52,864	15,750	2,629	5,076	453	38,409	115,181	3,108	118,289
Profit for the year	-	-	-	-	-	20,430	20,430	383	20,813
Other comprehensive income:									
Premises	-	7,508	-	-	-	-	7,508	59	7,567
Available-for-sale securities	-	-	(838)	-	-	(28)	(866)	(31)	(897)
Change in fair value of hedging instruments under net investment hedges	-	-	-	-	(110)	-	(110)	(7)	(117)
Currency translation difference	-	4	(4)	-	331	-	331	14	345
Total comprehensive income	-	7,512	(842)	-	221	20,402	27,293	418	27,711
Release upon disposal of premises	-	(112)	-	-	-	112	-	-	-
Transfer from retained earnings	-	-	-	1,891	-	(1,891)	-	-	-
Dividends	-	-	-	-	-	(12,709)	(12,709)	(108)	(12,817)
At 31 December 2011	52,864	23,150	1,787	6,967	674	44,323	129,765	3,418	133,183
Company and subsidiaries Associates	52,864	23,150	1,787	6,967	674	44,251	129,693		
	-	-	-	-	-	72	72		
	52,864	23,150	1,787	6,967	674	44,323	129,765		
At 1 January 2012	52,864	23,150	1,787	6,967	674	44,323	129,765	3,418	133,183
Profit for the year	-	-	-	-	-	20,930	20,930	617	21,547
Other comprehensive income:									
Premises	-	8,126	-	-	-	-	8,126	69	8,195
Available-for-sale securities	-	-	3,715	-	-	(12)	3,703	307	4,010
Change in fair value of hedging instruments under net investment hedges	-	-	-	-	(6)	-	(6)	(1)	(7)
Currency translation difference	-	1	8	-	103	-	112	3	115
Total comprehensive income	-	8,127	3,723	-	97	20,918	32,865	995	33,860
Release upon disposal of premises	-	(18)	-	-	-	18	-	-	-
Transfer from retained earnings	-	-	-	787	-	(787)	-	-	-
Dividends	-	-	-	-	-	(11,661)	(11,661)	(308)	(11,969)
At 31 December 2012	52,864	31,259	5,510	7,754	771	52,811	150,969	4,105	155,074
Company and subsidiaries Associates	52,864	31,259	5,510	7,754	771	52,714	150,872		
	-	-	-	-	-	97	97		
	52,864	31,259	5,510	7,754	771	52,811	150,969		
Representing:									
2012 final dividend proposed						7,327			
Others						45,484			
Retained earnings as at 31 December 2012						52,811			

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKAS 39.

NOTES TO THE FINANCIAL STATEMENTS

10. Segmental reporting

The Group manages the business mainly from a business segment perspective and over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong. Currently, four operating segments are identified which are Personal Banking, Corporate Banking, Treasury and Insurance. The classification of the Group's operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, credit cards, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products, etc. Personal Banking mainly serves retail customers while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. The Insurance segment represents business relating to life insurance products, including traditional and unit-linked individual life insurance and group life insurance products. "Others" mainly represents Group's holdings of premises, investment properties, equity investments and interests in associates.

As the Group's major revenue is derived from interest and the senior management relies primarily on net interest income to assess the performance of the segment, interest income and expense for all reportable segments are presented on a net basis. The senior management also assesses the business performance of premium growth and claim expense of the Insurance segment primarily based on net insurance premium income and benefits and claims.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

NOTES TO THE FINANCIAL STATEMENTS

10. Segmental reporting (continued)

	2012							
	Personal Banking HK\$'m	Corporate Banking HK\$'m	Treasury HK\$'m	Insurance HK\$'m	Others HK\$'m	Subtotal HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Net interest income/(expense)								
– external	932	8,784	13,229	1,757	6	24,708	–	24,708
– inter-segment	5,725	1,085	(6,288)	–	(522)	–	–	–
	6,657	9,869	6,941	1,757	(516)	24,708	–	24,708
Net fee and commission income/(expense)	4,377	3,420	138	(67)	247	8,115	(209)	7,906
Net insurance premium income	–	–	–	6,466	–	6,466	(15)	6,451
Net trading gain/(loss)	559	364	1,873	359	(34)	3,121	8	3,129
Net gain on financial instruments designated at fair value through profit or loss	–	–	42	705	–	747	–	747
Net (loss)/gain on other financial assets	–	(2)	623	129	–	750	–	750
Other operating income	50	3	8	14	1,429	1,504	(915)	589
Total operating income	11,643	13,654	9,625	9,363	1,126	45,411	(1,131)	44,280
Net insurance benefits and claims	–	–	–	(8,520)	–	(8,520)	–	(8,520)
Net operating income before impairment allowances	11,643	13,654	9,625	843	1,126	36,891	(1,131)	35,760
Net (charge)/reversal of impairment allowances	(214)	(650)	16	(11)	–	(859)	–	(859)
Net operating income	11,429	13,004	9,641	832	1,126	36,032	(1,131)	34,901
Operating expenses	(5,913)	(3,278)	(1,259)	(223)	(1,860)	(12,533)	1,131	(11,402)
Operating profit/(loss)	5,516	9,726	8,382	609	(734)	23,499	–	23,499
Net gain from disposal of/ fair value adjustments on investment properties	–	–	–	–	1,889	1,889	–	1,889
Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(3)	(1)	–	–	110	106	–	106
Share of profits less losses after tax of associates	–	–	–	–	27	27	–	27
Profit before taxation	5,513	9,725	8,382	609	1,292	25,521	–	25,521
Assets								
Segment assets	266,839	573,803	870,488	66,150	65,760	1,843,040	(12,536)	1,830,504
Interests in associates	–	–	–	–	259	259	–	259
	266,839	573,803	870,488	66,150	66,019	1,843,299	(12,536)	1,830,763
Liabilities								
Segment liabilities	716,696	551,508	346,561	61,904	11,556	1,688,225	(12,536)	1,675,689
Other information								
Capital expenditure	27	8	–	15	997	1,047	–	1,047
Depreciation	324	169	90	6	904	1,493	–	1,493
Amortisation of securities	–	–	190	65	–	255	–	255

NOTES TO THE FINANCIAL STATEMENTS

10. Segmental reporting (continued)

	2011							
	Personal Banking HK\$'m	Corporate Banking HK\$'m	Treasury HK\$'m	Insurance HK\$'m	Others HK\$'m	Subtotal HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Net interest income/(expense)								
– external	1,386	6,901	11,991	1,697	4	21,979	–	21,979
– inter-segment	4,378	1,757	(5,978)	–	(157)	–	–	–
	5,764	8,658	6,013	1,697	(153)	21,979	–	21,979
Net fee and commission income	4,485	3,015	205	78	143	7,926	(93)	7,833
Net insurance premium income	–	–	–	5,696	–	5,696	(13)	5,683
Net trading gain/(loss)	583	298	724	136	(31)	1,710	–	1,710
Net loss on financial instruments designated at fair value through profit or loss	–	–	(4)	(339)	–	(343)	3	(340)
Net (loss)/gain on other financial assets	(2)	(29)	437	(22)	(76)	308	–	308
Other operating income	36	1	1	15	1,341	1,394	(869)	525
Total operating income	10,866	11,943	7,376	7,261	1,224	38,670	(972)	37,698
Net insurance benefits and claims	–	–	–	(6,852)	–	(6,852)	–	(6,852)
Net operating income before impairment allowances	10,866	11,943	7,376	409	1,224	31,818	(972)	30,846
Net (charge)/reversal of impairment allowances	(176)	(213)	50	(167)	–	(506)	–	(506)
Net operating income	10,690	11,730	7,426	242	1,224	31,312	(972)	30,340
Operating expenses	(5,787)	(3,085)	(911)	(209)	1,158	(8,834)	972	(7,862)
Operating profit	4,903	8,645	6,515	33	2,382	22,478	–	22,478
Net gain from disposal of/ fair value adjustments on investment properties	–	–	–	–	2,213	2,213	–	2,213
Net loss from disposal/ revaluation of properties, plant and equipment	(7)	(9)	–	–	(18)	(34)	–	(34)
Share of profits less losses after tax of associates	–	–	–	–	23	23	–	23
Profit before taxation	4,896	8,636	6,515	33	4,600	24,680	–	24,680
Assets								
Segment assets	241,275	536,091	860,848	57,299	61,099	1,756,612	(18,336)	1,738,276
Interests in associates	–	–	–	–	234	234	–	234
	241,275	536,091	860,848	57,299	61,333	1,756,846	(18,336)	1,738,510
Liabilities								
Segment liabilities	676,928	507,852	368,709	54,282	15,892	1,623,663	(18,336)	1,605,327
Other information								
Capital expenditure	26	4	–	20	874	924	–	924
Depreciation	317	153	59	5	743	1,277	–	1,277
Amortisation of securities	–	–	(294)	(1)	–	(295)	–	(295)

NOTES TO THE FINANCIAL STATEMENTS

11. Loans to directors and officers

Particulars of advances made to directors and officers of the Company pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	2012 HK\$'m	2011 HK\$'m
Aggregate amount of relevant transactions outstanding at year end	5,865	4,015
Maximum aggregate amount of relevant transactions outstanding during the year	7,316	4,572

12. Approval of Summary Financial Statements

These Summary Financial Statements were approved and authorised for issue by the Board of Directors on 26 March 2013.

CONNECTED TRANSACTIONS

In 2012, BOCHK, a wholly-owned subsidiary of the Company, and its subsidiaries engaged on a regular basis in the usual course of their business in numerous transactions with BOC and its Associates. As BOC is the Company's controlling shareholder and therefore a connected person of the Company, all such transactions constituted connected transactions for the purposes of the Listing Rules. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. Central Huijin is the ultimate controlling shareholder of the Company. Central Huijin has accepted PRC Government's authorisation in carrying out equity investment in core financial enterprises. For the purposes of this report, therefore, Central Huijin and its Associates have not been treated as connected persons to the Company.

The transactions fell into the following two categories:

1. exempted transactions entered into in the usual course of business and under normal commercial terms. Such transactions were exempted from disclosure and independent shareholder approval by virtue of Rules 14A.31, 14A.33 and 14A.65 of the Listing Rules;
2. certain continuing connected transactions conducted pursuant to the Services and Relationship Agreement entered into among, inter alia, the Company and BOC dated 6 July 2002 (as amended and supplemented from time to time and the latest amendment was for a period of three years commencing 1 January 2011), whereas BOC has agreed to, and agreed to procure its Associates to, enter into all future arrangements with the Group on an arm's length basis, on normal commercial terms and at rates no less favourable than those offered to independent third parties, in relation to certain areas including, among others, information technology services, training services, physical bullion agency services, correspondent banking arrangements, treasury transactions, provision of insurance and syndicated loans, and the Company has agreed to, and agreed to procure its subsidiaries to, enter into all future arrangements on the same basis, provided that the rates offered by the Group to BOC and its Associates will be no more favourable than those offered to independent third parties. The Services and Relationship Agreement is also amended to allow for the provision of (i) call centre services, cash management services and card services and other related business between BOC or its Associates and the Group; and (ii) information technology services by the Group to BOC's worldwide branches and subsidiaries. On 30 December 2010 the Company made an announcement (the "Announcement") in accordance with Rule 14A.47 of the Listing Rules, and has got the approval from the independent shareholders on 25 May 2011. The Announcement listed those continuing connected transactions that exceeded the de minimus threshold and set out caps in respect of such transactions for the three years 2011-2013. These transactions were conducted in the ordinary course of its business and on normal commercial terms. Details of these continuing connected transactions are set out below and are described in the announcements which may be viewed at the Company's website. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

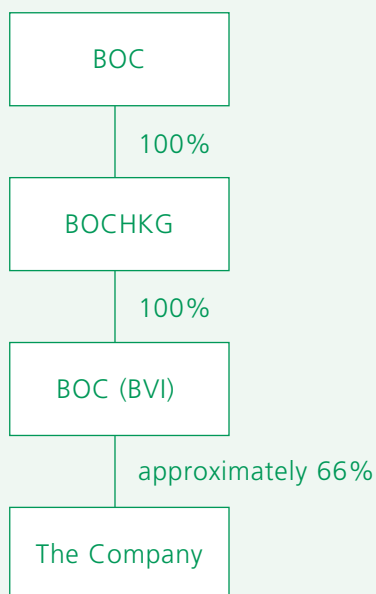
Type of Transaction	2012 Cap (HK\$'m)	2012 Actual Amount (HK\$'m)
Information Technology Services	1,000	48
Property Transactions	1,000	137
Bank-note Delivery	1,000	114
Provision of Insurance Cover	1,000	127
Card Services	1,000	104
Custody Business	1,000	36
Call Center Services	1,000	48
Securities Transactions	5,000	226
Fund Distribution Transactions	5,000	39
Insurance Agency	5,000	589
Foreign Exchange Transactions	5,000	195
Trading of Financial Assets	150,000	8,208
Inter-bank Capital Markets	150,000	1,714

RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

The Company understands that BOC, an intermediate holding company as well as controlling shareholder of the Company, will prepare and disclose consolidated financial information in accordance with IFRS and CAS for which the Company and its subsidiaries will form part of the consolidated financial statements. CAS is the new set of PRC accounting standards that has been effective for annual periods beginning on or after 1 January 2007 for companies publicly listed in PRC. The requirements of CAS have substantially converged with HKFRSs and IFRS.

The consolidated financial information of “BOC Hong Kong Group” for the periods disclosed by BOC in its consolidated financial statements is not the same as the consolidated financial information of the Group for the periods published by the Company pursuant to applicable laws and regulations in Hong Kong. There are two reasons for this.

First, the definitions of “BOC Hong Kong Group” (as adopted by BOC for the purpose of its own financial disclosure) and “Group” (as adopted by the Company in preparing and presenting its consolidated financial information) are different: “BOC Hong Kong Group” refers to BOCHKG and its subsidiaries, whereas “Group” refers to the Company and its subsidiaries (see the below organisation chart). Though there is difference in definitions between “BOC Hong Kong Group” and “Group”, their financial results for the periods presented are substantially the same. This is because BOCHKG and BOC (BVI) are holding companies only and have no substantive operations of their own.



Second, the Group has prepared its consolidated financial statements in accordance with HK GAAP prior to 1 January 2005 and as from 1 January 2005 onwards in accordance with HKFRSs; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRS and CAS respectively. Despite the fact that HKFRSs have converged with IFRS, there is a timing difference in the initial adoption of HKFRSs and IFRS by the Group and by BOC respectively.

The Board considers that the best way to ensure that shareholders and the investing public understand the material differences between the consolidated financial information of the Group published by the Company on the one hand, and the consolidated financial information of BOC Hong Kong Group disclosed by BOC in its financial statements on the other hand, is to present reconciliations of the profit after tax/net assets of the Group prepared under HKFRSs to the profit after tax/net assets of the Group prepared under IFRS and CAS respectively for the periods presented.

RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

The major differences between HKFRSs and IFRS/CAS, which arise from the difference in measurement basis in IFRS or CAS and the timing difference in the initial adoption of HKFRSs and IFRS relate to the following:

- re-measurement of carrying value of treasury products;
- restatement of carrying value of bank premises; and
- deferred taxation impact arising from the above different measurement basis.

(a) *Re-measurement of carrying value of treasury products*

Due to the difference in the timing of first adoption of HKFRSs and IFRS, classification and measurement of certain investment securities under HKFRSs and IFRS were different. Therefore, investment securities were reclassified and re-measured to align with the accounting policies of BOC for the relevant periods. Classification and measurement under IFRS and CAS is basically the same. As the investment securities matured gradually, the related timing difference will be eliminated.

(b) *Restatement of carrying value of bank premises*

The Company has elected for a revaluation model rather than cost model to account for bank premises and investment properties under HKFRSs. On the contrary, BOC has elected for the cost model for bank premises and revaluation model for investment properties under IFRS and CAS. Therefore, adjustments have been made to the carrying value of bank premises as well as to re-calculate the depreciation charge and disposal gain/loss under IFRS and CAS.

(c) *Deferred tax adjustments*

These represent the deferred tax effect of the aforesaid adjustments.

As the counterpart of IFRS/CAS to the amendment to HKAS 12 has already been mandatorily effective since 1 January 2012, there is no more difference due to early adoption of the amendment in HKFRSs by the Company.

Profit after tax/net assets reconciliation

HKFRSs vs IFRS/CAS

	Profit after tax		Net assets	
	2012 HK\$'m	2011 HK\$'m	2012 HK\$'m	2011 HK\$'m
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs	21,547	20,813	155,074	133,183
Add: IFRS/CAS adjustments				
Re-measurement of carrying value of treasury products	(12)	(27)	–	–
Restatement of carrying value of bank premises	658	488	(35,148)	(26,124)
Deferred tax adjustments	(106)	(33)	5,798	4,305
Effect of early adoption of HKAS 12 (Amendment)	–	(323)	–	(1,778)
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS/CAS	22,087	20,918	125,724	109,586

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL REPORT

To the shareholders of BOC Hong Kong (Holdings) Limited
(incorporated in Hong Kong with limited liability)

The summary financial report of BOC Hong Kong (Holdings) Limited ("the Company") set out on pages 1 to 136 and the front and back cover pages includes a financial section in respect of the Company for the year ended 31 December 2012. The financial section of the Company set out on pages 93 to 121 which comprises the consolidated balance sheet as at 31 December 2012, the consolidated income statement and consolidated statement of comprehensive income for the year then ended, and related notes, is derived from the audited financial statements of the Company for the year ended 31 December 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 26 March 2013.

The financial section does not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Reading the financial section, therefore, is not a substitute for reading the audited financial statements of the Company.

Directors' Responsibility for the Summary Financial Report

Under the Hong Kong Companies Ordinance, the directors are responsible for the preparation of a summary financial report in accordance with section 141CF(1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual financial statements and the auditor's report thereon and the directors' report for the year ended 31 December 2012, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial report based on our procedures and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our engagements in accordance with Hong Kong Standard on Auditing 810, "Engagements to Report on Summary Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. We are also required to state whether the auditor's report on the annual financial statements for the year ended 31 December 2012 is qualified or otherwise modified.

Opinion

In our opinion, the summary financial report:

- a. is consistent with the annual financial statements and the auditor's report thereon and the directors' report of the Company for the year ended 31 December 2012 from which it is derived; and
- b. complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.



PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 March 2013

SHAREHOLDER INFORMATION

Financial Calendar 2013

Major Events	Dates
Announcement of 2012 annual results	26 March (Tuesday)
Latest time for lodging transfers for entitlement to attend and vote at the 2013 Annual General Meeting	22 May (Wednesday) 4:30 p.m.
Book closure period (both days inclusive)	23 May (Thursday) to 28 May (Tuesday)
Latest time for lodging proxy forms for the 2013 Annual General Meeting	26 May (Sunday) 2:00 p.m.
2013 Annual General Meeting	28 May (Tuesday) 2:00 p.m.
Last day in Hong Kong for dealing in the Company's shares with entitlement to final dividend	29 May (Wednesday)
Ex-dividend date	30 May (Thursday)
Latest time for lodging transfers for entitlement to final dividend	31 May (Friday) 4:30 p.m.
Book closure period (both days inclusive)	3 June (Monday) to 6 June (Thursday)
Record date for final dividend	6 June (Thursday)
Final dividend payment date	14 June (Friday)
Announcement of 2013 interim results	Mid to late August

Annual General Meeting

The 2013 Annual General Meeting will be held at 2:00 p.m. on Tuesday, 28 May 2013 at Four Seasons Grand Ballroom, Level 2, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong.

Share Information

Listing and Stock Codes

Ordinary Shares	Level 1 ADR Programme
The Company's ordinary shares are listed and traded on The Stock Exchange of Hong Kong Limited (HKEX).	The Company maintains a Level 1 ADR facility for its ADSs. Each ADS represents 20 ordinary shares of the Company.
<i>Stock codes</i> HKEX 2388 Reuters 2388.HK Bloomberg 2388 HK	<i>Stock codes</i> CUSIP No.: 096813209 OTC Symbol: BHKLY

Market Capitalisation and Index Recognition

As at 31 December 2012, the Company's market capitalisation was HK\$254.8 billion, among the top 20 leading stocks on the Main Board of Hong Kong Stock Exchange in terms of market capitalisation. Given the Company's market capitalisation and liquidity, its shares are a constituent of Hang Seng Index, MSCI Index and FTSE Index series. In addition, the Company is a constituent of Hang Seng Corporate Sustainability Index Series which recognises its performance in relation to corporate sustainability issues. During the year, the Company has been included as a constituent of the newly launched Hang Seng High Dividend Yield Index, demonstrating the provision of persistent stable return by the Company to investors.

SHAREHOLDER INFORMATION

Debt Securities

Issuer : Bank of China (Hong Kong) Limited, a wholly-owned and principal subsidiary of the Company
 Listing : The Notes are listed and traded on The Stock Exchange of Hong Kong Limited (HKEX)

Subordinated Notes

Description : Bank of China (Hong Kong) Limited 5.55% Subordinated Notes 2020
 Issue size : US\$2,500 million
 Stock codes : HKEX 4316
 ISIN USY1391CAJ00
 Bloomberg E11388897

Senior Notes

Description : Bank of China (Hong Kong) Limited 3.75% Senior Notes due 2016 issued under the Medium Term Note Programme of US\$15 billion
 Issue size : US\$750 million
 Stock codes : HKEX 4528
 ISIN USY1391CDU28
 Bloomberg E18623411

Share Price and Trading Information

Share price (HK\$)	2012	2011	2010
Closing price at year end	24.10	18.40	26.45
Highest trading price during the year	25.00	28.35	29.40
Lowest trading price during the year	18.18	14.24	15.92
Average daily trading volume (m shares)	11.77	18.97	17.20
Number of ordinary shares issued (shares)	10,572,780,266		
Public float	Approximately 34%		
Nominal value per share	HK\$5.00		

Dividends

The Directors has recommended a final dividend of HK\$0.693 per share, which is subject to the approval of shareholders at the 2013 Annual General Meeting. With the interim dividend per share of HK\$0.545 paid during 2012, the total dividend per share will be amounted to HK\$1.238 for the whole year.

Credit Ratings (long-term)

Standard & Poor's : A+
 Moody's Investors Service : Aa3
 Fitch Ratings : A

SHAREHOLDER INFORMATION

Shareholder Enquiries

For any enquiries or requests relating to shareholder's shareholding, e.g. change of personal details, transfer of shares, loss of share certificates and dividend warrants, etc., please send in writing to:

Hong Kong Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990
E-mail: hkinfo@computershare.com.hk

USA Citibank Shareholder Services
250 Royall Street
Canton, MA 02021, USA
Telephone: 1-877-248-4237 (toll free)
 1-781-575-4555 (outside USA)
E-mail: Citibank@shareholders-online.com

Investor Relations Contact

Enquiries can be directed to:

Investor Relations Division
BOC Hong Kong (Holdings) Limited
52nd Floor, Bank of China Tower
1 Garden Road, Hong Kong
Telephone: (852) 2826 6314
Facsimile: (852) 2810 5830
E-mail: investor_relations@bochk.com

DEFINITIONS

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

Terms	Meanings
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	the Asset and Liability Management Committee
"ATM"	Automated Teller Machine
"Associates"	has the meaning ascribed to "associates" in the Listing Rules
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of BOCHKG
"BOC-CC"	BOC Credit Card (International) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK
"BOCG Insurance"	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHK Charitable Foundation"	Bank of China (Hong Kong) Limited Charitable Foundation (formerly known as the "Bank of China Group Charitable Foundation"), a charitable foundation being established in July 1994
"BOCHKG"	BOC Hong Kong (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"BOCI"	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOC Life"	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong, in which the Group and BOCG Insurance hold equity interests of 51% and 49% respectively
"Board" or "Board of Directors"	the Board of Directors of the Company

DEFINITIONS

Terms	Meanings
"CAR"	Capital Adequacy Ratio, computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules
"CAS"	China Accounting Standards for Business Enterprises
"Central Huijin"	Central Huijin Investment Ltd.
"Chiyu"	Chiyu Banking Corporation Limited, a company incorporated under the laws of Hong Kong, in which BOCHK holds an equity interest of 70.49%
"FIRB"	Foundation Internal Ratings-based
"Fitch"	Fitch Ratings
"GDP"	Gross Domestic Product
"HIBOR"	Hong Kong Interbank Offered Rate
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HK GAAP"	Generally Accepted Accounting Principles in Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR"	Hong Kong Special Administrative Region
"ICAAP"	Internal Capital Adequacy Assessment Process
"IFRS"	International Financial Reporting Standards
"IPO"	Initial Public Offering
"IRB"	Internal Ratings-based
"IT"	Information Technology

DEFINITIONS

Terms	Meanings
"LIBOR"	London Interbank Offered Rate
"LSC"	Legal Services Centre
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MSCI Index"	Morgan Stanley Capital International Index
"Mainland" or "Mainland China"	the mainland of the PRC
"Medium Term Note Programme"	the medium term note programme was established by BOCHK on 2 September 2011
"Moody's"	Moody's Investors Service
"NCB (China)"	Nanyang Commercial Bank (China), Limited, a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Nanyang
"Nanyang"	Nanyang Commercial Bank, Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK
"OR&CD"	the Operational Risk & Compliance Department
"PBOC"	People's Bank of China
"PRC"	the People's Republic of China
"RC"	the Risk Committee
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RMB RTGS"	RMB Real Time Gross Settlement
"RQFII"	Renminbi Qualified Foreign Institutional Investors
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SME(s)"	Small and Medium-sized Enterprise(s)
"STC"	Standardised (Credit Risk)
"Share Option Scheme"	the Share Option Scheme conditionally approved and adopted by the shareholders of the Company on 10 July 2002

DEFINITIONS

Terms	Meanings
"Sharesave Plan"	the Sharesave Plan conditionally approved and adopted by the shareholders of the Company on 10 July 2002
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Hong Kong Stock Exchange" or "Stock Exchange of Hong Kong"	The Stock Exchange of Hong Kong Limited
"the Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"the Group"	the Company and its subsidiaries collectively referred as the Group
"US"	the United States of America
"VAR"	Value at Risk

BRANCH NETWORK & CORPORATE BANKING CENTRES

Bank of China (Hong Kong) – Branch Network Hong Kong Island

Branch	Address	Telephone
Central & Western District		
Bank of China Tower Branch	1 Garden Road, Hong Kong	2826 6888
Sheung Wan Branch	252 Des Voeux Road Central, Hong Kong	2541 1601
Queen's Road West (Sheung Wan) Branch	2-12 Queen's Road West, Sheung Wan, Hong Kong	2815 6888
Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong	2841 0410
Central District Branch	2A Des Voeux Road Central, Hong Kong	2160 8888
Central District (Wing On House) Branch	71 Des Voeux Road Central, Hong Kong	2843 6111
Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui, Hong Kong	2819 7277
Western District Branch	386-388 Des Voeux Road West, Hong Kong	2549 9828
Shun Tak Centre Branch	Shop 225, 2/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	2291 6081
Queen's Road Central Branch	81-83 Queen's Road Central, Hong Kong	2588 1288
Bonham Road Branch	63 Bonham Road, Hong Kong	2517 7066
Kennedy Town Branch	Harbour View Garden, 2-2F Catchick Street, Kennedy Town, Hong Kong	2818 6162
Caine Road Branch	57 Caine Road, Hong Kong	2521 3318
First Street Branch	55A First Street, Sai Ying Pun, Hong Kong	2517 3399
United Centre Branch	Shop 1021, United Centre, 95 Queensway, Hong Kong	2861 1889
Wyndham Street Branch	1-3 Wyndham Street, Central, Hong Kong	2843 2888
Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong	2546 1134
Gilman Street Branch	136 Des Voeux Road Central, Hong Kong	2135 1123
Wan Chai District		
409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong	2835 6118
Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong	2574 8257
Harbour Road Branch	Shop 4, G/F, Causeway Centre, 28 Harbour Road, Wan Chai, Hong Kong	2827 8407
Jardine's Bazaar Branch	G/F, Siki Centre, No.23 Jardine's Bazaar, Causeway Bay, Hong Kong	2882 1383
Happy Valley Wealth Management Centre	Nos. 49-51A, Sing Woo Road, Happy Valley, Hong Kong	3982 8270
Happy Valley Branch	11 King Kwong Street, Happy Valley, Hong Kong	2838 6668
Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong	3982 8068
Percival Street Branch	18 Percival Street, Causeway Bay, Hong Kong	2572 4273
Wan Chai (China Overseas Building) Branch	139 Hennessy Road, Wan Chai, Hong Kong	2529 0866
Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong	2892 0909
Hennessy Road (Wan Chai) Branch	310-312 Hennessy Road, Wan Chai, Hong Kong	2923 5628
Eastern District		
Siu Sai Wan Branch	Shop 19, Cheerful Garden, Siu Sai Wan, Hong Kong	2505 2399
Taikoo Shing Branch	Shop P1025-1026, Chi Sing Mansion, Taikoo Shing, Hong Kong	2967 9128
Taikoo Shing Branch Safe Box Service Centre	Shop G1006, Hoi Shing Mansion, Taikoo Shing, Hong Kong	2885 4582
North Point Branch	Roca Centre, 464 King's Road, North Point, Hong Kong	2811 8880
North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong	2286 2000
North Point (Hang Ying Building) Branch	Shop 81, 318-328 King's Road, North Point, Hong Kong	2887 1199
North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point, Hong Kong	2562 6108
Sai Wan Ho Branch	142-146 Shau Kei Wan Road, Sai Wan Ho, Hong Kong	2886 3344
Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan, Hong Kong	2557 3283
Heng Fa Chuen Branch	Shop 205-208, East Wing Shopping Centre, Heng Fa Chuen, Chai Wan, Hong Kong	2897 1131
Kam Wa Street Branch	3 Kam Wa Street, Shau Kei Wan, Hong Kong	2885 9311
City Garden Branch	233 Electric Road, North Point, Hong Kong	2571 2878
King's Road Branch	131-133 King's Road, North Point, Hong Kong	2887 0282
Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong	2558 6433
Chai Wan Branch Safe Box Service Centre	27 Gold Mine Building, 345 Chai Wan Road, Chai Wan, Hong Kong	2557 0248
Healthy Village Branch	Shop 1&2, Healthy Village Phase II, 668 King's Road, North Point, Hong Kong	2563 2278
Sheung On Street Branch	77 Sheung On Street, Chai Wan, Hong Kong	2897 0923
Aldrich Garden Branch	Shop 58, Aldrich Garden, Shau Kei Wan, Hong Kong	3196 4956
Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong	2564 0333
Shau Kei Wan (Po Man Building) Branch	260-262 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	3550 5000

Branch	Address	Telephone
Southern District		
Tin Wan Branch	2-12 Ka Wo Street, Tin Wan, Hong Kong	2553 0135
Aberdeen Branch	25 Wu Pak Street, Aberdeen, Hong Kong	2553 4165
South Horizons Branch	G38, West Centre Marina Square, South Horizons, Ap Lei Chau, Hong Kong	2580 0345
South Horizons Branch Safe Box Service Centre	Shop 118, Marina Square East Centre, Ap Lei Chau, Hong Kong	2555 7477
Wah Kwai Estate Branch	Shop 17, Shopping Centre, Wah Kwai Estate, Hong Kong	2550 2298
Chi Fu Landmark Branch	Shop 510, Chi Fu Landmark, Pok Fu Lam, Hong Kong	2551 2282
Ap Lei Chau Branch	13-15 Wai Fung Street, Ap Lei Chau, Hong Kong	2554 6487
Stanley Branch	Shop No.301B, Stanley Plaza, Hong Kong	3982 8188

Kowloon

Branch	Address	Telephone
Kowloon City District		
Prince Edward Road (Kowloon City) Branch	382-384 Prince Edward Road, Kowloon City, Kowloon	2926 6038
To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan, Kowloon	2364 4344
Pak Tai Street Branch	4-6 Pak Tai Street, To Kwa Wan, Kowloon	2760 7773
Hung Hom Wealth Management Centre	37-39 Ma Tau Wai Road, Hung Hom, Kowloon	2170 0888
Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom, Kowloon	2764 8363
OUHK Branch	The Open University of Hong Kong, 30 Good Shepherd Street, Ho Man Tin, Kowloon	2760 9099
Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan, Kowloon	2714 9118
Ma Tau Wai Road Branch	47-49 Ma Tau Wai Road, Hung Hom, Kowloon	2926 5123
Site 11 Whampoa Garden Branch	Shop G6, Site 11 Whampoa Garden, Hung Hom, Kowloon	2363 3982
Whampoa Garden Branch	Shop G88, Site 1, Whampoa Garden, Hung Hom, Kowloon	2764 7233
Nga Tsin Wai Road Branch	25 Nga Tsin Wai Road, Kowloon City, Kowloon	2383 2316
Waterloo Road Branch	Shop A2, Man Kee Mansion, 86 Waterloo Road, Kowloon	2363 9231
Wong Tai Sin District		
Tai Yau Street Branch	35 Tai Yau Street, San Po Kong, Kowloon	2328 0087
Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate, Kowloon	2325 5261
Choi Hung Branch	19 Clear Water Bay Road, Ngau Chi Wan, Kowloon	2327 0271
Choi Hung Road Branch	58-68 Choi Hung Road, San Po Kong, Kowloon	2927 6111
Choi Wan Estate Branch	A3-18 Commercial Complex, Choi Wan Estate, Kowloon	2754 5911
Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin, Kowloon	2327 8147
San Po Kong (Wing Lok Building) Branch	28-34 Tseuk Luk Street, San Po Kong, Kowloon	2328 7915
Yuk Wah Street Branch	46-48 Yuk Wah Street, Tsz Wan Shan, Kowloon	2927 6655
Lok Fu Branch	Shop 2, Lok Fu Plaza II, Lok Fu, Kowloon	2337 0271
Tseuk Luk Street Wealth Management Centre	86 Tseuk Luk Street, San Po Kong, Kowloon	2326 2883
Diamond Hill Branch	G107 Plaza Hollywood, Diamond Hill, Kowloon	2955 5088
Kwun Tong District		
169 Ngau Tau Kok Road Branch	169 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2750 7311
177 Ngau Tau Kok Road Branch	177 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2927 4321
Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay, Kowloon	2755 0268
Sau Mau Ping Branch	Shop 214, Sau Mau Ping Shopping Centre, Sau Mau Ping, Kowloon	2772 0028
Hip Wo Street Branch	195-197 Hip Wo Street, Kwun Tong, Kowloon	2345 0102
Yau Tong Branch	Shop G1-G27, Ka Fu Arcade, Yau Tong Centre, Kowloon	2349 9191
Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon	2763 2127
Tsui Ping Estate Branch	Shop 116, 1/F Shopping Circuit, Tsui Ping Estate, Kwun Tong, Kowloon	2345 3238
26 Fu Yan Street Branch	26-32 Fu Yan Street, Kwun Tong, Kowloon	2342 5262
Telford Gardens Wealth Management Centre	Shop P8A, Telford Gardens, Kowloon Bay, Kowloon	2758 3987
Telford Gardens Branch	Shop P2, Telford Gardens, Kowloon Bay, Kowloon	2796 1551
Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon	2347 1456
Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong, Kowloon	2344 4116

BRANCH NETWORK & CORPORATE BANKING CENTRES

Bank of China (Hong Kong) – Branch Network (continued)

Branch	Address	Telephone
Ngau Tau Kok Road (Kwun Tong) Branch	327 Ngau Tau Kok Road, Kwun Tong, Kowloon	2389 3301
Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	2342 4295
Kowloon Bay Branch	Shop 2, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon	2759 9339
Yau Tsim Mong District		
Tai Kok Tsui Branch	73-77 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	2395 3269
Shan Tung Street Branch	42-48 Shan Tung Street, Mong Kok, Kowloon	2332 5461
China Hong Kong City Branch	Shop 28, UG/F, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon	2367 6164
Shanghai Street (Prince Edward) Branch	689-693 Shanghai Street, Mong Kok, Kowloon	2391 0502
Prince Edward Branch	774 Nathan Road, Kowloon	2399 3000
Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon	2721 6242
Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon	2739 0308
Jordan Branch	328-330 Nathan Road, Kowloon	2928 6111
Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon	2730 0883
Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok, Kowloon	2394 4181
Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon	2332 0111
Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon	2928 4138
Mong Kok Road Branch	50-52 Mong Kok Road, Mong Kok, Kowloon	2395 3263
Mong Kok (Silvercorp Int'l Tower) Branch	Shop B, 707-713 Nathan Road, Mong Kok, Kowloon	2391 6677
Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok, Kowloon	2384 7191
Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon	2780 2307
Kimberley Road Branch	37 Kimberley Road, Tsim Sha Tsui, Kowloon	2739 1886
Cameron Road Wealth Management Centre	30 Cameron Road, Tsim Sha Tsui, Kowloon	2312 0010
Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui, Kowloon	2311 3822
Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon	2749 2110
Fuk Tsun Street Branch	32-40 Fuk Tsun Street, Tai Kok Tsui, Kowloon	2391 8468
Canton Road Branch	60 Canton Road, Tsim Sha Tsui, Kowloon	2730 0688
Sham Shui Po District		
Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon	2370 8928
Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong, Kowloon	2265 7288
Yu Chau Street Branch	42-46 Yu Chau Street, Sham Shui Po, Kowloon	2397 1123
Dragon Centre Branch	Shop 206A, Dragon Centre, 37K Yen Chow Street, Sham Shui Po, Kowloon	2788 3238
Lei Cheng Uk Estate Branch	Shop 108, Lei Cheng Uk Commercial Centre, Lei Cheng Uk Estate, Kowloon	2729 8251
Castle Peak Road (Cheung Sha Wan) Branch	365-371 Castle Peak Road, Cheung Sha Wan, Kowloon	2728 3311
108 Cheung Sha Wan Road Branch	108 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2779 0157
194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2728 9389
Cheung Sha Wan Plaza Branch	Shop G08, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon	2745 7088
223 Nam Cheong Street Branch	223 Nam Cheong Street, Sham Shui Po, Kowloon	2928 2088
Stage 2 Mei Foo Sun Chuen Branch	19 Glee Path, Mei Foo Sun Chuen, Kowloon	2370 8382
Mei Foo Wealth Management VIP Centre	Shop N47-49, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 8003
Mei Foo Mount Sterling Mall Branch	17-B Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 6611
Sham Shui Po Branch	207-211 Nam Cheong Street, Sham Shui Po, Kowloon	2777 0171
Sham Shui Po (On Ning Building) Branch	147-149 Castle Peak Road, Sham Shui Po, Kowloon	2708 3678

New Territories & Outlying Islands

Branch	Address	Telephone
Sha Tin District		
41 Tai Wai Road Branch	41-45 Tai Wai Road, Sha Tin, New Territories	2929 4288
74 Tai Wai Road Branch	74-76 Tai Wai Road, Sha Tin, New Territories	2699 9523
Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories	2691 7193
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin, New Territories	2605 6556

Branch	Address	Telephone
Sha Tin Wealth Management VIP Centre	Shop 18, L1, Shatin Plaza, Sha Tin, New Territories	2688 7668
Sha Kok Estate Branch	Shop 39, Sha Kok Shopping Centre, Sha Kok Estate, Sha Tin, New Territories	2648 0302
Heng On Estate Branch	Shop 203, Commercial Centre, Heng On Estate, Ma On Shan, New Territories	2642 0111
Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories	2631 0063
Lung Hang Estate Branch	103 Lung Hang Commercial Centre, Sha Tin, New Territories	2605 8618
New Town Plaza Branch	Shop 608, Level 6 Phase One, New Town Plaza, Sha Tin, New Territories	2606 6163
Lek Yuen Branch	No 1, Fook Hoi House, Lek Yuen Estate, Sha Tin, New Territories	2605 3021
City One Sha Tin Branch	Shop Nos. 24-25, Ngan Shing Commercial Centre, City One, Sha Tin, New Territories	2648 8083
Tai Po District		
Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories	2657 2121
Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories	2665 5890
On Chee Road Branch	Shop 10-11, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	2665 1966
Fu Heng Estate Branch	Shop 1-2, Fu Heng Shopping Centre, Tai Po, New Territories	2661 6278
Fu Shin Estate Branch	Shop G11, Fu Shin Shopping Centre, Tai Po, New Territories	2663 2788
Kwong Fuk Road Branch	40-50 Kwong Fuk Road, Tai Po Market, New Territories	2658 2268
Sai Kung District		
East Point City Branch	Shop 101, East Point City, Tseung Kwan O, New Territories	2628 7238
HKUST Branch	The Hong Kong University of Science & Technology, Clear Water Bay Road, New Territories	2358 2345
Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories	2702 0282
Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories	2701 4962
Hau Tak Estate Branch Securities Services Centre	Shop 15, Hau Tak Shopping Centre, Tseung Kwan O, New Territories	2703 5749
Sai Kung Branch	Shop No. 56 & 58, Sai Kung Town Centre, 22-40 Fuk Man Road, Sai Kung, New Territories	2792 1465
Tsuen Wan District		
Clague Garden Branch	Shop 1-3, Commercial Complex, Clague Garden Estate, 24 Hoi Shing Road, Tsuen Wan, New Territories	2412 2202
Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories	2920 3211
Tsuen Wan Branch	297-299 & 313 Sha Tsui Road, Tsuen Wan, New Territories	2411 1321
Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan, New Territories	2416 6577
Sham Tseng Branch	Shop G1 & G2, Rhine Garden, Sham Tseng, New Territories	2491 0038
Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories	2414 4287
Castle Peak Road (Tsuen Wan) Branch Securities Services Centre	167 Castle Peak Road, Tsuen Wan, New Territories	2406 1746
Kwai Tsing District		
Ha Kwai Chung Branch	192-194 Hing Fong Road, Kwai Chung, New Territories	2424 9823
Sheung Kwai Chung Branch	7-11 Shek Yi Road, Sheung Kwai Chung, New Territories	2480 6161
Cheung Hong Estate Branch	201-202 Commercial Centre No 2, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 7718
Cheung Fat Estate Branch	Shop 317, Cheung Fat Shopping Centre, Tsing Yi Island, New Territories	2433 1689
Cheung Hong Estate Commercial Centre Branch	2 G/F, Commercial Centre, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 0325
Maritime Square Branch	Shop 115, Maritime Square, Tsing Yi Island, New Territories	2436 9298
Lei Muk Shue Branch	Shop 22, Lei Muk Shue Shopping Centre, Kwai Chung, New Territories	2428 5731
Metroplaza Branch	Shop 260-265, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories	2420 2686

BRANCH NETWORK & CORPORATE BANKING CENTRES

Bank of China (Hong Kong) – Branch Network (continued)

Branch	Address	Telephone
Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories	2480 3311
Kwai Chung Road Branch	1009 Kwai Chung Road, Kwai Chung, New Territories	2424 3021
Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories	2920 2468
Tuen Mun District		
Tuen Mun Wealth Management Centre	Shop 5, Level 1, North Wing, Trend Plaza, Tuen Mun, New Territories	2404 9777
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories	2450 8877
Tuen Mun Fa Yuen Branch	Shop G & H, 6 Tsing Hoi Circuit, Tuen Mun, New Territories	2458 1033
Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories	2457 3501
Siu Hong Court Branch	226 Commercial Centre, Siu Hong Court, Tuen Mun, New Territories	2466 6703
Kin Wing Street Branch	24-30 Kin Wing Street, Tuen Mun, New Territories	2465 2212
Venice Gardens Branch	Shop13-15, G/F Venice Gardens, Leung Tak Street, Tuen Mun, New Territories	2455 1288
Butterfly Estate Branch	Shop Nos. L187-195, Level 1, Butterfly Plaza, Tuen Mun, New Territories	2920 5188
Leung King Estate Branch	Shop No. L221 and L222, Level 2, Leung King Plaza, Leung King Estate, 31 Tin King Road, Tuen Mun, New Territories	2463 3855
Yuen Long District		
Tai Tong Road Branch	Shop A135, 1/F Hop Yick Plaza, 23 Tai Tong Road, Yuen Long, New Territories	2479 2113
Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories	2474 2211
Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories	2476 2193
Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories	2475 3777
Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long, New Territories	2473 2833
Kingswood Villas Branch	A189 Kingswood Richly Plaza, Tin Shui Wai, New Territories	2448 3313
Kingswood Ginza Branch	Shop G64, Phase 1 Kingswood Ginza, Tin Shui Wai, New Territories	2616 4233
Tin Shui Estate Branch	Shop No. G30, Tin Shui Shopping Centre, Tin Shui Wai, New Territories	2445 8728
North District		
Sheung Shui Centre Branch	Shop 1007-1009, Level 1, Sheung Shui Centre, Sheung Shui, New Territories	2670 3131
Sheung Shui Branch	61 San Fung Avenue, Sheung Shui, New Territories	2671 0155
Sha Tau Kok Branch	Block 16-18, Sha Tau Kok Chuen, Sha Tau Kok, New Territories	2674 4011
Flora Plaza Branch	Shop 28, Flora Plaza, 88 Pak Wo Road, Fanling, New Territories	2675 6683
Fanling Centre Branch	Shop 2D-E & H, Fanling Centre, Fanling, New Territories	2669 7899
Luen Wo Market Branch	17-19 Wo Fung Street, Luen Wo Market, Fanling, New Territories	2675 5113
Luen Wo Market Branch Safe Box Service Centre	Shop B, 10-16 Luen Shing Street, Luen Wo Market, Fanling, New Territories	2683 1662
Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories	2672 3738
Choi Yuen Plaza Branch	Shop 3, 3/F, Choi Yuen Plaza, Sheung Shui, New Territories	2671 6783
Outlying Island District		
Cheung Chau Branch	53-55 Tai Sun Street, Cheung Chau, New Territories	2981 0021
Hong Kong International Airport Branch	Unit 77075, Passenger Terminal Building, Hong Kong International Airport	2326 1883

Corporate Banking Centres & SME Centres

Network & Centres	Address	Telephone
Corporate Finance	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	3982 7078
Corporate Business I	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6889
Corporate Business II	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	3982 6509
Commercial Business I	Unit 701-706, The Gateway Tower 3 (Prudential Tower), 21 Canton Road, Tsim Sha Tsui, Kowloon	3982 7300
Commercial Business II	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	3982 6555

Network & Centres	Address	Telephone
Hong Kong Central and West Commercial Centre	24/F, Bank of China Tower, 1 Garden Road, Hong Kong	3982 6513
Hong Kong Central and West SME Centre		
Hong Kong East Commercial Centre	13/F, Cambridge House, Taikoo Place, 981 King's Road, Island East, Hong Kong	3982 7398
Hong Kong East SME Centre		
Kowloon East Commercial Centre	25/F, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon	3982 7600
Kowloon East SME Centre		
Kowloon West Commercial Centre	9/F, BOC Mongkok Commercial Centre, 589 Nathan Road, Mongkok, Kowloon	3982 7700
Kowloon West SME Centre		
New Territories East Commercial Centre	3/F, 68-70 Po Heung Street, Tai Po Market, New Territories	3982 7888
New Territories East SME Centre		
Fo Tan Commercial Centre	Room 1408, 14/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin, New Territories	3982 7800
Fo Tan SME Centre		
New Territories West Commercial Centre	Unit 1316-1325, Level 13, Metroplaza Tower 1, 223 Hing Fong Road, Kwai Chung, New Territories	3982 7900
New Territories West SME Centre		
Financial Institutions	33/F, Bank of China Tower, 1 Garden Road, Hong Kong	2903 6666
Trade Product	5/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon	3198 3544

Nanyang Commercial Bank – Branch Network

Branch	Address	Telephone
Head Office	151 Des Voeux Road, Central, Hong Kong	2852 0888
Hong Kong Island		
Western Branch	1/F & 2/F, 359-361 Queen's Road Central, Hong Kong	2851 1100
Causeway Bay Branch	472 Hennessy Road, Causeway Bay, Hong Kong	2832 9888
Happy Valley Branch	29 Wong Nei Chung Road, Happy Valley, Hong Kong	2893 3383
Kennedy Town Branch	86 Belcher's Street, Kennedy Town, Hong Kong	2817 1946
Quarry Bay Branch	1014 King's Road, Quarry Bay, Hong Kong	2563 2286
Des Voeux Road West Branch	334 Des Voeux Road West, Hong Kong	2540 4532
Aberdeen Branch	Shop A, 171 Aberdeen Main Road, Aberdeen, Hong Kong	2553 4115
North Point Branch	351 King's Road, North Point, Hong Kong	2566 8116
Sai Wan Ho Branch	63 Shaukeiwan Road, Sai Wan Ho, Hong Kong	2567 0315
Wanchai Branch	123 Johnston Road, Wanchai, Hong Kong	2574 8118
Causeway Centre Branch	Shop Nos 9-10, Ground Floor, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong	2827 6338
Central District Branch	2/F Century Square, 1-13 D'Aguilar Street, Central, Hong Kong	2522 5011
Sunning Road Branch	8 Sunning Road, Causeway Bay, Hong Kong	2882 7668
Kowloon		
Mongkok Branch	727 Nathan Road, Mongkok, Kowloon	2394 8206
Yaumati Branch	309 Nathan Road, Yaumati, Kowloon	2782 9888
Ferry Point Branch	Offices B-D, 10/F and Shops D-F, G/F, Best-O-Best Commercial Centre, 32-36 Ferry Street, Yaumati, Kowloon	2332 0738
Homantin Branch	G/F-2/F, 67B Waterloo Road, Kowloon	2715 7518
Nathan Road Branch	570 Nathan Road, Mongkok, Kowloon	2780 0166
Laichikok Road Branch	236 Laichikok Road, Shamshui, Kowloon	2396 4164
Jordan Road Branch	20 Jordan Road, Yaumati, Kowloon	2735 3301
Tokwawan Branch	62 Tokwawan Road, Kowloon	2764 6666
Kwun Tong Branch	G/F Shop 1, 1/F Shop 2, 410 Kwun Tong Road, Kowloon	2389 6266
Tsimshatsui Branch	G/F, Cheong Hing Building, 72 Nathan Road, Tsim Sha Tsui, Kowloon	2376 3988
Hunghom Branch	69A Wuhu Street, Hunghom, Kowloon	2362 2301
Shamshui Branch	198-200 Tai Po Road, Shamshui, Kowloon	2777 0147
Yee On Street Branch	Shops 4-6, G/F, Yee On Centre, 45 Hong Ning Road, Kowloon	2790 6688
Peninsula Centre Branch	Shop G48 Peninsula Centre, 67 Mody Road, Tsimshatsui, Kowloon	2722 0823
San Po Kong Branch	41-45, Yin Hing Street, San Po Kong, Kowloon	2328 5555
Kowloon City Branch	86 Nga Tsin Wai Road, Kowloon City, Kowloon	2716 6033
Laguna City Branch	Shop No. 26, Phase 1 Laguna City, Cha Kwo Ling Road, Kowloon	2772 3336
Kowloon Bay Branch	Shop 2, G/F, Shun Fat Industrial Building, 17 Wang Hoi Road, Kowloon Bay, Kowloon	2769 6268

BRANCH NETWORK & CORPORATE BANKING CENTRES

Nanyang Commercial Bank – Branch Network (continued)

Branch	Address	Telephone
New Territories		
Kwai Chung Branch	100 Lei Muk Road, Kwai Chung, New Territories	2480 1118
Tai Po Branch	Shop No. 11, G/F, Treasure Garden, 1 On Chee Road, Tai Po, New Territories	2656 5201
Yuen Long Branch	G/F, Tung Yik Building, Tai Tong Road, Yuen Long, New Territories	2479 0231
Ha Kwai Chung Branch	180 Hing Fong Road, Kwai Chung, New Territories	2429 4242
Tsuen Wan Branch	78 Chung On Street, Tsuen Wan, New Territories	2492 0243
Sheung Shui Branch	31 Fu Hing Street, Sheung Shui, New Territories	2679 4333
Tuen Mun Branch	Forward Mansion, Yan Ching Circuit, Tuen Mun, New Territories	2459 8181
Shatin Branch	Shop 7-8, Lucky Plaza, Shatin, New Territories	2605 9188
Fou Wah Centre Branch	Shop A, 2/F, Fou Wah Centre, 210 Castle Peak Road, Tsuen Wan, New Territories	2498 4411
Sai Kung Branch	Shop 11-12 Sai Kung Garden, Man Nin Street, New Territories	2791 1122
Offshore		
Shanghai Branch	Block A, F6, Nanyang Commercial Bank Building, No.800 Century Avenue, Shanghai, China	(86-21) 6887 9801
San Francisco Branch	505 Montgomery Street, Suite 1200, San Francisco, CA94111, USA	(1-415) 398 8866

Chiyu Banking Corporation – Branch Network

Branch	Address	Telephone
Hong Kong Island		
Central Branch	78, Des Voeux Road Central, Hong Kong	2843 0187
North Point Branch	390-394 King's Road, North Point, Hong Kong	2570 6381
Wanchai Branch	325 Hennessy Road, Wanchai, Hong Kong	2572 2823
Sheung Wan Branch	Shop 3, G/F, Lee Fung Building, 315-319 Queen's Road Central, Hong Kong	2544 1678
Western Branch	443 Queen's Road West, Hong Kong	2548 2298
Quarry Bay Branch	967-967A, King's Road, Quarry Bay, Hong Kong	2811 3131
Aberdeen Branch	G/F, 138-140, Aberdeen Main Road, Aberdeen, Hong Kong	2553 0603
Kowloon		
Hung Hom Branch	23-25 Gillies Avenue, Hung Hom, Kowloon	2362 0051
Kwun Tong Branch	Factory A, G/F, Lucky (Kwun Tong) Industrial Building, 398-402 Kwun Tong Road, Kowloon	2343 4174
Sham Shui Po Branch	235-237 Laichikok Road, Kowloon	2789 8668
San Po Kong Branch	61-63 Hong Keung Street, San Po Kong, Kowloon	2328 5691
Yau Ma Tei Branch	117-119 Shanghai Street, Yau Ma Tei, Kowloon	2332 2533
Castle Peak Road Branch	G/F, 226-228 Castle Peak Road, Kowloon	2720 5187
Kowloon Bay Branch	Shop10, G/F, Kai Lok House, Kai Yip Estate, Kowloon Bay, Kowloon	2796 8968
Tokwawan Branch	G/F, Shop 11-13, 78 Tokwawan Road, Kowloon	2765 6118
Tsz Wan Shan Branch	Shop 703A, 7/F, Tsz Wan Shan Shopping Centre, 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	2322 3313
New Territories		
Yau Oi Estate Branch	Shop 103-104, G/F, Restaurant Block, Yau Oi Estate, Tuen Mun, New Territories	2452 3666
Kwai Hing Estate Branch	Shop 1, G/F, Hing Yat House, Kwai Hing Estate, Kwai Chung, New Territories	2487 3332
Tai Wo Estate Branch	Shop 112-114, G/F, On Wo House, Tai Wo Estate, Tai Po, New Territories	2656 3386
Belvedere Garden Branch	Shop 5A, G/F, Belvedere Square, Tsuen Wan, New Territories	2411 6789
Tsuen Wan Branch	Shop 1 & 1D, Level 2, Discovery Park Commercial Centre, Tsuen Wan, New Territories	2413 8111
Sui Wo Court Branch	Shop F7, Commercial Centre, Sui Wo Court, Shatin, New Territories	2601 5888
Ma On Shan Branch	Shop 313, Level 3, Ma On Shan Plaza, Bayshore Tower, Ma On Shan, New Territories	2640 0733
Sheung Tak Estate Branch	Shop 238, Sheung Tak Shopping Centre, Sheung Tak Estate, Tseung Kwan O, New Territories	2178 2278
The Mainland of China		
Fuzhou Branch	1/F, International Building, 210 Wusi Road, Fuzhou, Fujian Province, China	(86-591) 8781 0078
Xiamen Branch	1/F, Unit 111-113, No 861 Xiahe Road, Xiamen, Fujian Province, China	(86-592) 585 7690

Branch	Address	Telephone
Xiamen Jimei Sub-Branch	No.68-71, Lehai Bei Li, Jimei District, Xiamen, Fujian Province, China	(86-592) 619 3302
Guanyinshan Sub-Branch	Unit 1702E, 1703A, No. 9 Building, 170 Tapu East Road, Guanyinshan CBD, Xiamen, Fujian Province, China	(86-592) 599 0520

Nanyang Commercial Bank (China) – Branch Network

Branch	Address	Telephone
The Mainland of China		
Head Office	Nanyang Commercial Bank Building, No.800 Century Avenue, Pudong District, Shanghai, China	(86-21) 3856 6666
Shenzhen Branch	L140-142, Tower 4, Excellence Century Center, Fuhua 3rd Road, Futian District, Shenzhen, China	(86-755) 8233 0230
Shenzhen Shekou Sub-Branch	G/F, Finance Centre, No.22 Taizi Road, Shekou, Nanshan District, Shenzhen, China	(86-755) 2682 8788
Shenzhen Luohu Sub-Branch	G/F, The Kwangtung Provincial Bank Building, No.1013, South Ren Min Road, Luohu District, Shenzhen, China	(86-755) 2515 6333
Shenzhen Futian Sub-Branch	1/F, Shen Ye Garden Club House, Caitian Road, Futian District, Shenzhen, China	(86-755) 8294 2929
Shenzhen Baoan Sub-Branch	Unit 108 Xushida Garden, Xin An Si Road, Baoan District 34-2, Shenzhen, China	(86-755) 2785 3302
Shenzhen Jiabin Sub-Branch	1/F, Block C, Nanyang Mansion, No.2002 Jianshe Road, Luohu District, Shenzhen, China	(86-755) 8220 9955
Shenzhen Houhai Sub-Branch	L184-185, Tiley Central Plaza II, Central Area, Nanshan District, Shenzhen, China	(86-755) 8663 6200
Dongguan Sub-Branch	No.C-112, C-204, Dingfeng International Plaza, No.19 Dongguan Avenue, Dongcheng District, Dongguan, China	(86-769) 2662 6888
Haikou Branch	1/F, Time Square, No.2 Guomao Road, Haikou, Hainan, China	(86-898) 6650 0038
Guangzhou Branch	Room 402 & R03-04, Skygalleria CMC Plaza, No.233 North Tianhe Road, Tianhe District, Guangzhou, China	(86-20) 3891 2668
Guangzhou Panyu Sub-Branch	C001-C008 & C101-C106, No.2 West Fuhua Road, Shiqiao, Panyu District, Guangzhou, China	(86-20) 3451 0228
Guangzhou Yuexiu Sub-Branch	Room 01, Huayital Plaza, No.418 Dong Feng Zhong Road, Yuexiu District, Guangzhou, China	(86-20) 8378 2668
Foshan Sub-Branch	Room 403-405 and Ground Floor P5/P6, Jinhai Plaza, No. 21 Jihua Wu Road Chancheng District, Foshan, China	(86-757) 8290 3368
Dalian Branch	1/F, Anho Building, No.87 Renmin Road, Dalian, China	(86-411) 3984 8888
Beijing Branch	1/F A, B, C, D Areas and 2F, Tower B, Jiacheng Plaza, 18 Xiaguangli, North Dongsanhuan Road, Chao Yang District, Beijing, China	(86-10) 5839 0888
Beijing Jianguomen Sub-Branch	Level 1A, No.88 Jianguomen Wai Da Jie, Chaoyang District, Beijing, China	(86-10) 6568 4728
Beijing Zhongguancun Sub-Branch	Room 105 & 106, Ground Floor, No.8 North Haidian Second Street, Haidian District, Beijing, China	(86-10) 5971 8565
Beijing Jinrongjie Sub-Branch	G/F, Business No.2 Fortune Time Plaza, No.11 Fenghui Garden, Xicheng District, Beijing, China	(86-10) 5836 2188
Shanghai Branch	1/F, 2/F & M/F, Nanyang Commercial Bank Building, No.800 Century Avenue, Pudong District, Shanghai, China	(86-21) 2033 7500
Shanghai Xuhui Sub-Branch	Huafucheng Mansion, No.2 Lane 498 Tianyaoqiao Road, Xuhui District, Shanghai, China	(86-21) 6468 1999
Shanghai Zhabei Sub-Branch	Unit 102, Block 7, Daning Central Square, No.700 Wanrong Road, Zhabei District, Shanghai, China	(86-21) 5308 8888
Shanghai Hongqiao Sub-Branch	Unit 105-106, No.107 Zunyi Road, Changning District, Shanghai, China	(86-21) 6237 5000
Shanghai Huangpu Sub-Branch	Room A103-A107, Tomorrow Square, No.389 West Nanjing Road, Huangpu District, Shanghai, China	(86-21) 6375 5858
Hangzhou Branch	Room 101-201, Building 2, Tong Ce Square, No.3688 Jiang Nan Avenue, Binjiang District, Hangzhou, China	(86-571) 8778 6000
Hangzhou Chengzhong Sub-Branch	1-2F Guo Mao Building, No.195-1 Qingchun Road, Hangzhou, China	(86-571) 8703 8080
Nanning Branch	1/F, Kings Wealth CBD Modern Town, No.63 Jinhu Road, Nanning, China	(86-771) 555 8333
Shantou Branch	G/F, No.3 Yingbin Road, Shantou, China	(86-754) 8826 8266
Qingdao Branch	South Door, No.66 Nanjing Road, Qingdao, China	(86-532) 6670 7676
Qingdao Economic and Technical Development Zone Sub-Branch	No.218 Middle Changjiang Road, Economic & Technical Development Zone, Qingdao, Shandong, China	(86-532) 6805 5618
Qingdao Qianling Road Sub-Branch	1-2/F, Unit 12-13, Jinling Century Garden, Xianxialing Road, Laoshan District, Qingdao, China	(86-532) 8395 0878
Chengdu Branch	M/F, 1/F, Dong Du INTL., 70 Section 2, Middle Renmin Road, Chengdu, China	(86-28) 8628 2777
Chengdu Chuangye Road Sub-Branch	No.7-9, 10-12, 13-16, 1 F, 4 Building, No.49 Chuangye Road, Hi-tech Zone, Chengdu, China	(86-28) 6155 8822
Wuxi Branch	Vanke Homes, No.28 North Changjiang Road, Wuxi New District, Wuxi, China	(86-510) 8119 1666

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