

Retail Operations





Pursuant to the direction set out in the Bank's strategic transformation, the Bank strived to establish a strategic position for its retail business. Despite a highly competitive market, the Bank actively developed its market and the domestic market shares in business such as RMB individual saving deposits and individual consumer loans gradually increased. The total number of Pacific Credit cards and total spending thereof reached 1.94 million and RMB11.1 billion, respectively.

Corporate Governance Report

During 2006, the Bank has complied with relevant laws and regulations such as the Company Law of the People's Republic of China, rules and guidelines issued by domestic and overseas regulatory authorities, and the Listing Rules, including the code provisions set out in Appendix 14 to the Listing Rules — the Code of Corporate Governance Practices (the "Code"), so as to continuously enhance its transparency and to ensure that the shareholders' interests can be sufficiently safeguarded.

The Bank has established a well regulated corporate structure and clearly defined the rights and responsibilities for the shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management to ensure independent checks and balances. The roles of Chairman of the Board of Directors and President of the Bank are served by two different individuals to avoid the centralization of power. Currently, Mr. Jiang Chaoliang is the Chairman and Mr. Li Jun is the President.

The Bank has established special committees under the Board of Directors, including the Strategy Committee, Audit Committee, Risk Management Committee, and Personnel and Compensation Committee. Two special committees established under the Board of Supervisors are the Supervisory Committee and the Nomination Committee. The Bank has introduced the Code provisions into its corporate management structure. In particular, the principles and the requirements of the Code provisions have been reflected in the Articles of Association, Procedural Rules of Shareholders' General Meetings, the Board of Directors, the Board of Supervisors and special committees. The Board of Directors, Board of Supervisors and special committees review and assess their procedures and their effectiveness periodically.

1 SHAREHOLDERS GENERAL MEETING

Shareholders' general meeting includes all shareholders and represents the core authority for the corporate governance structure of the Bank. The primary role of shareholders' general meetings are to, but not limited to:

- Approve operating strategy and investment plans;
- Elect directors and supervisors (except employee supervisors), and determine the remuneration of directors and supervisors;
- Consider and approve reports of the Boards of Directors and Supervisors;
- Consider and approve annual financial budget, final accounts and profit distribution;
- Approve increases or decreases in registered capital and bond issues;
- Amend the Bank's Articles of Association;
- Determine the engagement, dismissal or non-renewal of the Bank's auditor.

1 SHAREHOLDERS GENERAL MEETING *(Continued)*

On 22 June 2006, the Bank's 2005 Annual General Meeting was held in Shanghai, China. There were 355 shareholders and proxies, representing a total of 38,412,208,052 shares and 83.86% of the total number of shares issued. The meeting complied with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Bank.

At the meeting, shareholders considered and approved nine resolutions by an open ballot. The resolutions approved were the Report of the Board of Directors for 2005, the Report of the Board of Supervisors for 2005, the Report of Final Accounts for 2005, the Report of Profit Distribution Plan for 2005, the Appointment of Auditors for 2006, the Appointment of Peng Chun as a Director, the Appointment of Peter Wong Tung Shun as a Director, the Appointment of Qian Ping as a Director, and the Appointment of Laura M Cha as a Director.

2 THE BOARD OF DIRECTORS

The Board of Directors is responsible for formulating the Bank's strategy and making corporate decisions. The Board of Directors is held responsible to the shareholders of the Bank. The primary roles of the Board of Directors include, but are not limited to:

- Convening of shareholders' general meetings, and reporting its work to shareholders at such meetings;
- Implementing resolutions approved by shareholders;
- Determining of the Bank's business plans and investment proposals;
- Formulating the Bank's dividend and bonus policy, and plans relating to increase or decrease in capital; and
- Exercising any other powers conferred by shareholders' general meetings or under the Articles of Association.

2 THE BOARD OF DIRECTORS *(Continued)*

As of 31 December 2006, the Board comprised eighteen directors, three of whom are Executive Directors, ten are Non-executive Directors and five are Independent Non-executive Directors. Mr. Jiang Chaoliang is the Chairman of the Board, and Mr. Li Jun is the Vice Chairman.

Directors who are appointed to fill temporary vacancies, are required to be re-elected at the annual general meeting. A directors' term is for three years and can be re-elected when the term expires.

Qualifications of all five Independent Non-executive Directors comply with Rules 3.10 (1) and (2) of the Listing Rules. None of the Independent Non-executive Directors of the Bank has any interest in any business or financial interest of the Bank or its subsidiaries. Independent Non-executive Directors are not allowed to hold any administrative positions in the Bank. In addition, the Bank has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence and considered each of them to be independent.

Independent Non-executive Directors owe also fiduciary duties to the Bank and its shareholders, in particular, they should protect the rights of minority shareholders. As a critical part in the corporate governance of the Bank, they play a significant "check and balance" role during the decision-making process at board meetings. During 2006, Independent Non-executive Directors expressed their views and comments on various matters concerning the interest of the shareholders and the Bank as a whole at the board meetings.

Directors' Responsibilities for Financial Statements

Directors are responsible for supervising the preparation of financial statements for each fiscal period to ensure that the financial statements are true and that they fairly represent the Bank's business condition, performance and cash flow for the period. In the preparation of financial statements for the year ended 31 December 2006, the Directors applied and implemented applicable accounting policy and made prudent and reasonable decisions and estimations. The Directors confirmed their responsibilities for preparing the financial statements. The auditors' statement in respect of their reporting responsibilities is set out on page 81 of the Auditor's Report.

2 THE BOARD OF DIRECTORS *(Continued)*

Board Meetings

For the year ended 31 December 2006, the Bank held five board meetings in total. All these meetings were convened in accordance with the Articles of Association of the Bank. Individual attendance of directors in 2006 is set forth as follows:

Individual Attendance Rate of the Board Meetings during the Year 2006

Directors	Number of board meetings attended	Attendance rate (%)
Executive Directors		
Zhang Jianguo <i>(Note 1)</i>	2/2	100%
Li Jun <i>(Note 2)</i>	5/5	100%
Zhang Jixiang	5/5	100%
Peng Chun	5/5	100%
Non-executive Directors		
Jiang Chaoliang	5/5	100%
Hu Huating	5/5	100%
Peter Wong Tung Shun	2/5	40%
William Fung Kwok Lun <i>(Note 3)</i>	0/2	0%
Li Keping	3/5	60%
Li Zexing	5/5	100%
Gao Shiqing	2/5	40%
Shen Weiming	3/5	60%
Li Guanglin	2/5	40%
Qian Ping	2/5	40%
Laura M Cha <i>(Note 4)</i>	1/3	33.3%
Independent Non-executive Directors		
Xie Qingjian	5/5	100%
Ian Ramsay Wilson	5/5	100%
Thomas Joseph Manning	4/5	80%
Herbert Hui Ho Ming	4/5	80%
Chen Qingtai	4/5	80%
Average attendance rate		75%

2 THE BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

Notes:

1. Mr. Zhang Jianguo resigned as the Bank's Executive Director and Vice Chairman on 25 July 2006.
2. Mr. Li Jun was appointed as the Bank's Vice Chairman on 13 September 2006.
3. Mr. William Fung Kwok Lun resigned his Non-executive Directorship on 1 June 2006.
4. Ms. Laura M Cha was appointed as a Non-executive Director on 22 June 2006.

All minutes of the meetings of the Board of Directors were kept by the Secretary of the Board of Directors and were also delivered to Directors. Directors may make reasonable requests to seek independent professional opinion under appropriate circumstances and related costs would be borne by the Bank.

Details are set out below:

- (1) On 28 March 2006, the 12th Session of the 4th Board of Directors was held in Shenzhen. At the meeting, the Board of Directors considered and approved nine resolutions, namely the Report of the Board of Directors for 2005, the Report of the President for 2005, the Report of Final Accounts for 2005, the Proposal for Profit Distribution for 2005, the Appointment of Auditors for 2006, the Annual Report for 2005, the Proposal for Performance-based Incentive Scheme of Senior Management for 2005, the Appointment of Peng Chun, Peter Wong Tung Shun, Qian Ping and Laura M Cha as Directors, and the Proposal for Convening the 2005 Annual General Meeting.
- (2) On 23 May 2006, the 13th Session of the 4th Board of Directors was held on-site with video-conference uplinking from the Head Office, Beijing, Jinan, Daqing, and Hong Kong branches. At the meeting, the Board of Directors considered and approved two resolutions, namely the First Quarterly Results for 2006 and the Proposed Amendments to the Tentative Implementation Measures for Annual Performance Appraisal of Senior Management.
- (3) On 22 August 2006, the 14th Session of the 4th Board of Directors was held in Zhuhai. At the meeting, the Board of Directors considered and approved seven resolutions, namely the Interim Report for 2006, the Appointment of Laura M Cha as a member of the Personnel and Compensation Committee of the Board of Directors, the Proposal for Establishing a Branch in Yinchuan, the Proposal for Establishing a Branch in Quanzhou, the Proposal for Establishing a Branch in Jinhua, the Proposal for Establishing a Branch in Ma An Shan, and the Proposal for Establishing a Branch in Yancheng.

2 THE BOARD OF DIRECTORS *(Continued)*

Board Meetings *(Continued)*

- (4) On 13 September 2006, the 15th Session of the 4th Board of Directors was on-site with video-conference uplinking from the Head Office and Hong Kong Branch. At the meeting, the Board of Directors considered and approved three resolutions, namely the Appointment of Jiang Chaoliang as Chairman of the Strategy Committee of the Board of Directors, the Appointment of Li Jun as Vice Chairman of the Bank, and the Appointment of Li Jun as President of the Bank.
- (5) On 16 November 2006, the 16th session of the 4th Board of Directors was held in Shanghai. At the meeting, the Board of Directors considered and approved thirteen resolutions, namely the Third Quarterly Results for 2006, the Proposed Issue of Subordinated Bonds in Inter-Bank Market, the Proposal for the Grant of General Mandate to the Board of Directors by Shareholders' General Meeting, the Proposal for A-share Issue and Listing, the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Procedural Rules of Shareholders' General Meetings, the Proposed Amendments to the Procedural Rules of The Board, the Appointment of Eric Li Ka-cheung as Independent Non-executive Director, the Appointment of Peter Wong Tung Shun as a member of the Strategy Committee of the Board of Directors, the Proposal for the Renewal of Liability Insurance for Directors and Senior Management, the Proposal for Establishing a Branch in Macao, the Proposal for Establishing a Branch in Frankfurt and the Proposal for Convening the First Extraordinary General Meeting of 2007.

3 BOARD COMMITTEES

The Strategy Committee

The Strategy Committee is responsible for considering and proposing business strategies for the Bank, as well as analyzing and assessing management of capital periodically. It comprises six members, two Executive Directors namely Li Jun and Peng Chun, three Non-executive Directors namely Jiang Chaoliang, Hu Huating and Peter Wong Tung Shun, and the Independent Non-executive Director namely Herbert Hui Ho Ming. Mr. Jiang Chaoliang is the Chairman of the Committee. On 13 November 2006, the Strategy Committee deliberated on the following proposals after receipt of written opinion from members: the Proposal for Issue of Subordinated Bonds in Inter-Bank Market, the Proposal for the Grant of General Mandate to the Board of Directors by Shareholders' General Meeting and the Proposal for A-share Issue and Listing.

3 BOARD COMMITTEES *(Continued)*

Individual Attendance Rate of the Strategy Committee during the year of 2006

Members	Number of meetings attended	Attendance rate (%)
Jiang Chaoliang (<i>Chairman</i>)	1/1	100%
Li Jun	1/1	100%
Peng Chun	1/1	100%
Hu Huating	1/1	100%
Peter Wong Tung Shun (<i>Note 1</i>)	—	—
Herbert Hui Ho Ming (<i>Note 2</i>)	1/1	100%
Average attendance rate		100%

Note 1: Peter Wong Tung Shun was appointed as a member of the Strategy Committee on 16 November 2006.

Note 2: Herbert Hui Ho Ming resigned as a member of the Strategy Committee on 8 January 2007.

The Audit Committee

The Audit Committee is mainly responsible for reviewing and overseeing the Bank's financial reporting procedures. It also assists the Board of Directors in any matters in relation to appointment, remuneration and removal of auditors. The Committee evaluates the effectiveness of the Bank's internal controls to ensure effective operation and ensure it fulfils the Bank's corporate objectives and strategies. The Audit Committee reviews internal audit reports and reviews on finance, operations, compliance requirements, and risk management. The Audit Committee also assesses the Bank's internal audit policy and procedures. The committee reports regularly to the Board of Directors on its deliberations and provides appropriate recommendations.

The Committee comprises five members: three Independent Non-executive Directors namely Herbert Hui Ho Ming, Xie Qingjian, and Chen Qingtai; and two Non-executive Directors namely Peter Wong Tung Shun and Li Zexing. Mr. Herbert Hui Ho Ming is the Chairman.

3 BOARD COMMITTEES *(Continued)*

In 2006, four meetings were held. On 27 March 2006, at the 6th Session of the Audit Committee, the Committee approved the Report of Final Accounts for 2005, the Proposal for Profit Distribution for 2005, the Appointment of Auditors for 2006, the Annual Report for 2005, the Report on Internal Controls for 2005 and the Internal Controls Plan for 2006. On 22 May 2006, at the 7th Session of the Audit Committee, the Committee approved the First Quarterly Results for 2006 and the Report on Internal Controls for the First Quarter of 2006. On 21 August 2006, at the 8th Session of the Audit Committee, the Committee approved the Interim Report for 2006, the Report on Internal Controls for the First Half of 2006. The Committee also considered the Report of Appointment of Auditors for 2006. On 16 November 2006, at the 9th Session of the Audit Committee, the Committee approved the Third Quarterly Results for 2006, and the Report on Internal Controls for the Third Quarter of 2006.

Individual Attendance Rate of the Audit Committee during the year of 2006

Members	Number of meetings attended	Attendance rate (%)
Herbert Hui Ho Ming (<i>Chairman, Note</i>)	4/4	100%
Peter Wong Tung Shun	1/4	25%
Li Zexing	4/4	100%
Xie Qingjian	4/4	100%
Chen Qingtai	4/4	100%
Average attendance rate		85%

Note: Herbert Hui Ho Ming resigned as a member of the Audit Committee on 8 January 2007.

In collaboration with senior management, the Audit Committee reviewed the accounting standards and practices adopted by the Bank and examined the internal controls and financial reporting policies. The Audit Committee also reviewed the Bank's consolidated annual financial statements.

3 BOARD COMMITTEES *(Continued)*

The Risk Management Committee

The Risk Management Committee is responsible for monitoring and assessing risk management and control, as well as the examination of significant related party transactions. It comprises four members: two Independent Non-executive Directors namely Xie Qingjian and Ian Ramsay Wilson, and two Non-executive Directors namely Li Keping and Gao Shiqing. Mr. Xie Qingjian is the Chairman.

In 2006, four meetings were held. On 27 March 2006, at the 6th Session of the Risk Management Committee, the Committee approved the Risk Evaluation Report for 2005. On 22 May 2006, at the 7th Session of the Risk Management Committee, the Committee approved the Risk Evaluation Report for the First Quarter of 2006. On 21 August 2006, at the 8th Session of the Risk Management Committee, the Committee approved the Risk Evaluation Report for the First Half of 2006. On 15 November 2006, at the 9th Session of the Risk Management Committee, the Committee approved the Risk Evaluation Report for the Third Quarter of 2006.

Individual Attendance Rate of the Risk Management Committee during the year of 2006

Members	Number of meetings attended	Attendance rate (%)
Xie Qingjian (<i>Chairman</i>)	4/4	100%
Li Keping	2/4	50%
Gao Shiqing	2/4	50%
Ian Ramsay Wilson	4/4	100%
Average attendance rate		75%

The Personnel and Compensation Committee

The Personnel and Compensation Committee is primarily responsible for advising on the Bank's remuneration policy for Directors and senior management and providing recommendations to the Board on the qualifications and requirements of proposed directors and senior management personnel. The Committee is also responsible for the evaluation of the performance of senior management and the determination of their remuneration. The Committee comprises four members: two Independent Non-executive Directors namely Thomas Joseph Manning and Chen Qingtai, and two Non-executive Directors namely Hu Huating and Laura M Cha. Mr. Thomas Joseph Manning is the Chairman.

3 BOARD COMMITTEES *(Continued)*

The Personnel and Compensation Committee *(Continued)*

In 2006, four meetings were held. On 27 March 2006, at the 5th Session of the Personnel and Compensation Committee, the Committee considered the Proposal for Performance-based Incentive Scheme for Senior Management for 2005, the Appointment of Peng Chun, Peter Wong Tung Shun, Qian Ping, Laura M Cha as Directors, and deliberated on the Report on the Progress of Human Resources Management Reform. On 19 May 2006, at the 6th Session of the Personnel and Compensation Committee, upon receipt of written opinion from the members, the Committee considered the Tentative Implementation Measures for Annual Performance Appraisal of Senior Management (Revised). On 12 September 2006, at the 7th Session of the Personnel and Compensation Committee, upon receipt of written opinion from the members, the Committee considered the Appointment of Li Jun as President of the Bank. On 3 November 2006, at the 8th Session of the Personnel and Compensation Committee, upon receipt of written opinion from the members, the Committee considered the Proposal for Execution of the Second Grant of SARS under the Long Term Incentive Plan and the Appointment of Mr. Eric Li Ka-cheung as Independent Non-executive Director.

When the Personnel and Compensation Committee chooses or makes recommendations on proposed directors and senior manager, the main factors are experience, educational background, and the condition and needs of the Bank. All the director candidates nominated by the Committee, except for those who are appointed to fill temporary vacancies, shall be approved by the Board of Directors and proposed for election at the shareholders' general meeting. A quorum for the Personnel and Compensation Committee is more than half of the committee members. Proposals made to the Board of Directors by the committee require the consent of more than half of the committee members.

Individual Attendance Rate of the Personnel and Compensation Committee during the year of 2006

Members	Number of meetings attended	Attendance rate (%)
Thomas Joseph Manning <i>(Chairman)</i>	4/4	100%
Hu Huating	4/4	100%
William Fung Kwok Lun <i>(Note 1)</i>	1/2	50%
Chen Qingtai	4/4	100%
Laura M Cha <i>(Note 2)</i>	2/2	100%
Average attendance rate		93.8%

Notes:

- 1: Mr. William Fung Kwok Lun resigned as a member of the Personnel and Compensation Committee on 1 June 2006.
- 2: Ms. Laura M Cha was appointed as a member of the Personnel and Compensation Committee on 22 August 2006.

4 BOARD OF SUPERVISORS

The Board of Supervisors' major functions and responsibilities include:

- Verifying financial reports and other financial information prepared by the Board of Directors to be presented at shareholders' general meetings;
- Examining and reviewing of the Bank's financial position; and
- Supervising Directors and other senior management personnel to ensure compliance with laws, administrative regulations and the Articles of Association of the Bank.

The Board of Supervisors currently comprises nine members, including the Board of Supervisors' Chairman namely Mr. Cui Leiping, three Shareholders Supervisors, two External Supervisors and three Employee Supervisors. A Supervisory Committee and a Nomination Committee have been established under the Board of Supervisors.

For details about the Board of Supervisors and its committees, please refer to the section headed "Report of the Board of Supervisors" included on pages 42-47 of this annual report.

5 SENIOR MANAGEMENT

Senior management of the Bank comprises the President, Vice-president, Chief Financial Officer and Chief Information Officer. On 25 July 2006, Mr. Zhang Jianguo tendered his resignation as President of the Bank due to personal reasons. Mr. Li Jun was appointed as the President of the Bank by the Board of Directors on 13 September 2006.

The President is accountable to the Board of Directors, whereas all functional departments, branch offices and all other senior management of the Bank report directly to the President. Pursuant to the laws and regulations, the Articles of Association and authorization granted by the Board of Directors, the President is responsible for the operations and management of all affairs of the Bank, including:

- overseeing and management of daily operations, and reporting to the Board of Directors;
- implementing resolutions approved by shareholders' general meetings and the Board of Directors;
- preparing annual operating and investment plans, annual financial budgets, final accounts plans, profit appropriations plans etc.;
- appointment and discharge of directors of functional departments and branch offices, other than those positions that should be appointed or discharged by the Board of Directors.

6 RULES AND REGULATIONS

In order to comply with the amendments to the Company Law and in light of the Bank's application for A-share issue and listing, the Board of Directors proposed amendments to the Articles of Association of the Bank of Communications Co., Ltd, the Procedural Rules of Shareholders' General Meeting and the Procedural Rules of the Board. The Board of Supervisors amended the Procedural Rules of the Board of Supervisors. The amendments were based on the requirements of the relevant laws, administrative regulations, departmental rules and other regulatory documents such as Company Law, Guidelines for Articles of Listed Companies (Revised in 2006), and Rules for Shareholders' General Meeting of Listed Companies etc., together with the Bank's own requirements and experience of its counterparts. These amendments were approved at the 2007 First Extraordinary General Meeting held on 9 January, 2007.

7 INTERNAL CONTROL

Under the direct supervision of the President of the Bank, the Audit Department of the Bank is responsible for supervising and evaluating the Bank's internal control procedures and inspecting the Bank's business operations. In addition, the Audit Department reports to the Audit Committee of the Board of Directors and the Supervisory Committee of the Board of Supervisors. The audit department determines the frequency and scope of examinations and evaluations of the Bank's operation and internal control, conducts independent examinations and evaluations over any potential significant risk areas or known internal control weaknesses that may exist in any business departments, with special focus on the following aspects:

- compliance with applicable laws and regulations;
- effectiveness of compliance with the Bank's internal policies and guidelines;
- effectiveness of the Bank's risk management (including any delegated risk management) system and the accounting system;
- security of the Bank's information technology system; and
- adequacy, appropriateness and effectiveness of the Bank's internal control and procedures. In respect of the insufficiencies found, the audit department is also responsible for follow-up actions, supervision of remedial actions and the enhancement of risk management practices across the Bank.

The Board of Directors has reviewed the effectiveness of the internal control systems of the Bank and its subsidiaries'.

The audit department performs detailed reviews of the Bank's financial and operating performance, credit risk management, accounting issues, technology applications and internal controls every year. The review covers the Bank's branch and sub branch offices. In addition, the audit department also performs special reviews on new business development. These reviews are conducted through on site and off site examinations.

The Bank has established a three-tier audit system, which includes audit department at the Head Office, regional and branch levels. The system is managed independently by the audit department.

8 LONG TERM INCENTIVE SCHEME (SHARE APPRECIATION RIGHTS PLAN)

On 3 November 2006, the Personnel and Compensation Committee of the Board of Directors approved the second share appreciation rights scheme under the Long Term Incentive Scheme authorized by the 10th Session of the 4th Board of Directors held on 18 November 2005. The purpose of the plan is to attract and retain high quality personnel, and to encourage senior management to focus on long-term benefits for shareholders and long-term development of the Bank.

Under the scheme, the second share appreciation rights (“SARS”) were granted to eleven full-time senior executives of the head office as at 3 November 2006. The exercise price was set at HK\$6.13, being the closing price of the H share on the grant date. This grant of SARS was for 2.7239 million shares and will be valid for a period of ten years from 3 November 2006, with a two-year vesting period.

Regarding the future grant of SARS, the committee has agreed SARS will be granted once every two years starting from 2007 upon the current grant and the amount to be granted will cover two years.

9 EQUITY TRANSACTIONS OF DIRECTORS

The Bank adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, as its code of conduct governing directors’ equity transactions. Based on specified enquiries made to the Directors, all Directors have complied with the required standards of the Model Code for the year under review.

The Board will review from time to time the Bank’s corporate governance practices and operations to ensure compliance with relevant requirements of the Listing Rules and to protect the interests of shareholders.

10 AUDIT FEE

The Bank's annual financial statements prepared in accordance with IFRS for the year 2006 were audited by PricewaterhouseCoopers. The Bank's annual financial statements prepared in accordance with PRC GAAP were audited by Deloitte Touche Tohmatsu. The aggregate audit fee was RMB40 million. The statement of PricewaterhouseCoopers' reporting responsibilities is included in the auditors' report on page 81.

The Bank incurred a fee of RMB2.14 million for non-audit services provided by PricewaterhouseCoopers in 2006. The Audit Committee understood the nature of non-audit services and related service fees. Such non-audit services comprised: assessment of the internal control over custodial business, mock-listing management training and Japanese translation service for 2006 annual and interim reports.

The Audit Committee is satisfied that the non-audit services (taking into account of the aggregate fees in respect of the non-audit services and the nature of the services) did not affect the independence of PricewaterhouseCoopers.

The Board of Directors approved the recommendation by the Audit Committee to appoint PricewaterhouseCoopers and Deloitte Touche Tohmatsu as the Bank's external auditors for 2007. The recommendation will be presented to shareholders for approval at the Bank's 2006 Annual General Meeting.