

# Report of the Board of Supervisors



## I. Meetings of the Board of Supervisors

The Board of Supervisors held six meetings in 2006:

- (1) The first meeting (on 23 February) was held by written circulation, examining and approving the Performance Evaluation Measures for Full-time Supervisors Appointed by Shareholders of Bank of China, for submission to the General Meeting of Shareholders for review.
- (2) The second meeting (on 27 March) examined and approved the 2005 Financial Report of Bank of China Limited.
- (3) The third meeting (on 12 April) examined and approved the Report Delivered by the Board of Supervisors at the 2006 General Meeting of Shareholders, for submission to the General Meeting of Shareholders for review; the meeting also examined and approved the 2005 performance evaluation result of full-time supervisors appointed by shareholders, for submission to the General Meeting of Shareholders for review.
- (4) The fourth meeting (on 29 April) examined and approved the Opinions on the Profit Distribution Plan of Bank of China to be Submitted to the 2006 General Meeting of Shareholders (Resumed Session), for submission to the General Meeting of Shareholders.
- (5) The fifth meeting (on 29 August) examined and approved the 2006 Interim Report of Bank of China.
- (6) The sixth meeting (on 31 October) examined and approved the 2006 Third Quarter Report of Bank of China.

## II. Supervision and Inspection Work of the Board of Supervisors

In 2006, pursuant to the PRC Company Law and the Articles of Association of the Bank, the Board of Supervisors diligently discharged its responsibilities by supervising the Board of Directors and Senior Management, with focus on financial supervision and compliance supervision.

Employees of the Office of the Board of Supervisors, headed by each supervisor, exercised supervision and inspection in the Head Office by means of participating in meetings, having access to documents, conducting inquiry and interviews; during the report period. They conducted on-site inspection on financial and other activities of seven departments, including the Accounting Department, Risk Management Department, Credit Administration Department, and Bank Card Center. The Board of Supervisors also assigned staff familiar with the business operation of the Bank to conduct on-site inspection of 16 domestic tier-1 branches and one wholly-owned subsidiary of the Bank, spending 11 days on average for each entity. The inspections covered the completeness and

truthfulness of financial reports, truthfulness of the credit quality, compliance of governing measures over provisions for loans, and asset disposal and punishment of its responsible persons held liable, treasury business risk management, and circumstances relating to certain connected transactions.

During the report period, the Board of Supervisors also conducted an “online survey and research” among employees by the Bank’s internal e-mail system. The survey covered the Bank’s reform, development, management, and lending business, finance and accounting affairs, etc. The Board of Supervisors received a lot of valuable information in the survey, and summarized the content of the survey into a document with more than 40,000 words, which has been delivered to all directors and senior managers for their reference.

### **III. Independent Opinions of the Board of Supervisors on Relevant Issues of the Bank within the Report Period**

#### **(1) Operations according to the law**

It was found that, during the report period, the Bank’s Board of Directors and Senior Management did not violate the law, regulation or the Bank’s Articles of Association, nor did they infringe upon the Bank’s interests. The Bank’s internal control system was further strengthened and improved during the report period.

#### **(2) Financial position**

The financial statements contained in the annual report truly and fairly reflect the Bank’s financial position and business performance in the report period.

#### **(3) Use of the capital raised**

During the report period, the Bank raised USD11.2 billion and RMB20 billion in domestic and overseas capital market. The use of these funds is consistent with the Bank’s undertaking in the prospectus.

#### **(4) Purchase and sale of assets**

It was found that there was no purchase or sale of assets of the Bank that might infringe upon the interests of shareholders or cause asset dissipation in the report period.

#### **(5) Affiliated transactions**

It was found that there was no unfair connected transactions that might infringe upon the Bank’s interests occurred in the report period.

#### **(6) The issue of annual profit largely beyond the forecast**

The Board of Supervisors agrees to the reasons given by the Board of Directors in relation to the fact that profits recorded by the Bank in the report period exceeded its forecast by a substantial margin in the report period.