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交通銀行股份有限公司  
**Bank of Communications Co., Ltd.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 03328)**

## **2012 THIRD QUARTERLY RESULTS ANNOUNCEMENT**

The board of directors of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated results (the “**Third Quarterly Results**”) of the Bank and its subsidiaries (the “**Group**”) for the nine months ended 30 September 2012 (the “**Reporting Period**”), which have been prepared in accordance with the International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The board of directors of the Bank (the “**Board**”) and its audit committee have reviewed and adopted the Third Quarterly Results.

### **1. CORPORATE INFORMATION**

(1) Stock exchanges on which shares of the Bank are listed:

A shares: Shanghai Stock Exchange

H shares: The Stock Exchange of Hong Kong Limited

(2) Stock name and stock code:

A shares: Bank of Communications, 601328

H shares: BANKCOMM, 03328

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## 2. MAJOR FINANCIAL DATA AND INDICATORS

The major financial data and indicators of the Group for the nine months ended 30 September 2012 prepared under the International Financial Reporting Standards (“IFRS”) are as follows:

*(in millions of RMB, unless otherwise stated)*

	<b>As at 30 September 2012</b>	As at 31 December 2011	Increase/ (decrease) (%)
Total assets	<b>5,173,349</b>	4,611,177	12.19
Include: loans and advances to customers	<b>2,868,550</b>	2,561,750	11.98
Total liabilities	<b>4,805,607</b>	4,338,389	10.77
Include: customer deposits	<b>3,640,301</b>	3,283,232	10.88
Shareholders’ equity (excluding non-controlling interests)	<b>366,252</b>	271,802	34.75
Net assets per share (excluding non-controlling interests, in RMB yuan)	<b>4.93</b>	4.39	12.30
	<b>January to September 2012</b>	January to September 2011	Increase/ (decrease) (%)
Net interest income	<b>89,101</b>	76,413	16.60
Profit before tax	<b>57,549</b>	49,567	16.10
Net profit (excluding non-controlling interests)	<b>44,513</b>	38,416	15.87
Earnings per share (excluding non-controlling interests, in RMB yuan)	<b>0.70</b>	0.62	12.90
	<b>As at 30 September 2012 (%)</b>	As at 31 December 2011 (%)	Change (percentage point)
Return on average assets <sup>1</sup>	<b>1.22</b>	1.19	0.03
Return on average shareholders’ equity <sup>2</sup>	<b>18.60</b>	20.52	(1.92)
Cost-to-income ratio <sup>3</sup>	<b>28.23</b>	30.19	(1.96)
Impaired loans ratio <sup>4</sup>	<b>0.87</b>	0.86	0.01
Provision coverage of impaired loans <sup>5</sup>	<b>263.26</b>	256.37	6.89
Core capital adequacy ratio	<b>11.58</b>	9.27	2.31
Capital adequacy ratio	<b>14.51</b>	12.44	2.07

Notes:

1. Calculated by dividing annualised net profit of the Reporting Period by the average of total assets at the beginning and the end of the Reporting Period.
2. Calculated by dividing annualised net profit (excluding non-controlling interests) of the Reporting Period by the average of shareholders' equity (excluding non-controlling interests) at the beginning and the end of the Reporting Period.
3. Refers to as a percentage of certain operating expenses to certain net operating income.
4. Calculated by dividing the outstanding balance of impaired loans by the outstanding balance of loans and advances to customers before impairment allowances at the end of the Reporting Period.
5. Calculated by dividing the outstanding balance of impairment allowances by the outstanding balance of impaired loans at the end of the Reporting Period.

### 3. SHAREHOLDINGS OF SHAREHOLDERS

As at 30 September 2012, the Bank had a total of 414,520 shareholders with 371,130 shareholders holding A shares while 43,390 shareholders holding H shares. According to the Bank's register of shareholders maintained at its share registrar, as at 30 September 2012, the shareholdings of the top 10 shareholders and the top 10 shareholders not subject to sales restriction are as follows:

#### (1) Shareholdings of the Top 10 Shareholders (according to the Bank's register of shareholders maintained at its share registrar)

No.	Name of shareholders	Nature of Shareholders	Shareholding Percentage (%)	Number of shares held	Number of shares pledged or frozen <sup>1</sup>
1	Ministry of Finance of the People's Republic of China	State	26.53	19,702,693,828	Nil
2	The Hongkong and Shanghai Banking Corporation Limited <sup>2</sup>	Foreign legal person	18.70	13,886,417,698	—
3	HKSCC Nominees Limited <sup>3</sup>	Foreign legal person	18.65	13,850,597,740	Nil
4	National Council for Social Security Fund <sup>4</sup>	State-owned legal person	4.42	3,283,069,006	—
5	Capital Airports Holding Company	State-owned legal person	1.68	1,246,591,087	—
6	Shanghai Haiyan Investment Management Co., Ltd	State-owned legal person	1.09	808,145,417	—
7	China Ping An Life Insurance Company Limited — Traditional — high interest rate policy product	Other domestic entity	0.95	705,385,012	—
8	China FAW Group Corporation	State-owned legal person	0.89	663,941,711	—
9	Yunnan Hongta Group Company Limited	State-owned legal person	0.89	658,467,013	—
10	Shandong Luneng Group Co., LTD.	State-owned legal person	0.77	571,078,169	—

Notes:

1. Unless otherwise stated, the Bank is not aware of any circumstances where shares held by the above shareholders have been pledged or frozen, nor of the existence of any connected relationship between the above shareholders.

2. According to the Bank's register of members kept by Computershare Hong Kong Investor Services Limited, as at 30 September 2012, The Hongkong and Shanghai Banking Corporation Limited ("HSBC") held 13,886,417,698 H shares of the Bank. In addition, according to the disclosure of interests forms filed with the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at 30 September 2012, representing 19.03% of the Bank's total share capital. Please refer to "(3) Substantial shareholders and holders of interest or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance" for details of the H shares that deemed to be beneficially owned by HSBC. (same applies hereinafter)
3. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank (the "**H shares**") held by all institutional and individual investors who maintained an account with it as at 30 September 2012. (same applies hereinafter)
4. According to the Bank's register of members kept by Computershare Hong Kong Investor Services Limited, National Council for Social Security Fund ("**SSF**") held 1,877,513,451 A shares and 1,405,555,555 H shares, representing 4.42% of the Bank's total share capital as at 30 September 2012. In addition, according to the information provided by SSF to the Bank, SSF held 7,027,777,777 H shares, representing 9.46% of the Bank's total share capital, which had been registered under HKSCC Nominees Limited as at 30 September 2012. As at 30 September 2012, SSF held total of 10,310,846,783 A shares and H shares, representing 13.88% of the Bank's total share capital. (same applies hereinafter)

**(2) Shareholdings of the top 10 shareholders not subject to sales restriction (according to the Bank's register of members maintained at its share registrar)**

No.	Name of shareholders	Number of shares held	Shareholding Percentage (%)	Class of shares
1	Ministry of Finance of the People's Republic of China	16,413,353,049	26.40	A shares and H shares
2	HKSCC Nominees Limited	13,850,597,740	22.28	H shares
3	The Hongkong and Shanghai Banking Corporation Limited	11,530,478,263	18.55	H shares
4	Capital Airports Holding Company	1,246,591,087	2.01	A shares
5	Shandong Luneng Group Co., LTD.	571,078,169	0.92	A shares
6	Yunnan Hongta Group Company Limited	438,686,794	0.71	A shares
7	Sinopec Finance Company Limited	374,901,733	0.60	A shares
8	Shanghai Haiyan Investment Management Co., Ltd	368,584,978	0.59	A shares
9	Aviation Industry Corporation of China	310,678,434	0.50	A shares
10	Daqing Petroleum Administration Bureau	294,936,165	0.47	A shares

Details of connected relations or acting in concert among the above shareholders:

- (1) The Bank is not aware of any connected relations among the above shareholders not subject to sales restrictions or whether they are parties acting in concert as regulated in the Administration Procedures of the Takeover of Listed Companies.
- (2) Except that the names of the top 10 shareholders are the same as those of the top 10 shareholders not subject to sales restrictions, there is no connected relationship among them, nor are they parties acting in concert.

**(3) Substantial shareholders and holders of interests or short positions required to be disclosed under Divisions 2 and 3 of part XV of the Hong Kong Securities and Futures Ordinance**

As at 30 September 2012, to the knowledge of the directors, supervisors and chief executive of the Bank, the substantial shareholders and other persons (other than the directors, supervisors and chief executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance (the “SFO”) were as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest <sup>1</sup>	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People’s Republic of China	Beneficial owner	15,148,693,829 <sup>2</sup>	Long position	38.59	20.40
National Council for Social Security Fund	Beneficial owner	1,877,513,451	Long position	4.78	2.53

  

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest <sup>1</sup>	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
National Council for Social Security Fund	Beneficial owner	8,433,333,332	Long position	24.09	11.36
Ministry of Finance of the People’s Republic of China	Beneficial owner	4,553,999,999 <sup>2</sup>	Long position	13.01	6.13
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner	14,135,636,613	Long position	40.37	19.03
	Interest of controlled corporations <sup>3</sup>	<u>2,674,232</u>	Long position	<u>0.01</u>	<u>0.004</u>
	Total:	<u>14,138,310,845</u>		<u>40.38</u>	<u>19.04</u>
HSBC Finance (Netherlands)	Interest of controlled corporations <sup>4</sup>	14,138,310,845	Long position	40.38	19.04
HSBC Bank plc	Beneficial owner	9,012,000	Long position	0.03	0.01
	Interest of controlled corporations <sup>5</sup>	<u>63,250</u>	Long position	<u>0.0002</u>	<u>0.0001</u>
	Total:	<u>9,075,250</u>		<u>0.03</u>	<u>0.01</u>
HSBC Holdings plc	Interest of controlled corporations <sup>6</sup>	14,147,386,095	Long position	40.41	19.05

*Notes:*

1. Long positions held other than through equity derivatives.
2. According to the information provided by the Ministry of Finance of the People's Republic of China (the "MOF"), as at 30 September 2012, the MOF held 4,553,999,999 H shares and 15,148,693,829 A shares of the Bank representing 6.13% and 20.40% of the total share capital of the Bank, respectively.
3. HSBC holds 62.14% equity interest in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to be interested in the Bank's H shares held by Hang Seng Bank Limited.

Hang Seng Bank Limited is deemed to be interested in the 2,674,232 H shares held by its wholly-owned subsidiaries. Such 2,674,232 H shares represent the aggregate of the 2,581,887 H shares directly held by Hang Seng Bank Trustee International Limited and 92,345 H shares directly held by Hang Seng Bank (Trustee) Limited.

4. HSBC is wholly owned by HSBC Asia Holdings BV and HSBC Asia Holdings BV is, in turn wholly owned by HSBC Asia Holdings (UK) Limited which is wholly owned by HSBC Holdings BV. Furthermore, HSBC Holdings BV is wholly owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 14,138,310,845 H shares held by HSBC.
5. HSBC Trustee (C.I.) Limited holds 63,250 H shares. HSBC Trustee (C.I.) Limited is wholly owned by HSBC Private Bank (C.I.) Limited, which is wholly owned by HSBC Private Banking Holdings (Suisse) SA. Furthermore, HSBC Private Banking Holdings (Suisse) SA is wholly owned by HSBC Europe (Netherlands) BV, which is in turn owned as to 94.90% by HSBC Bank plc. Pursuant to the SFO, each of HSBC Private Bank (C.I.) Limited, HSBC Private Banking Holdings (Suisse) SA, HSBC Europe (Netherlands) BV and HSBC Bank plc is deemed to be interested in the 63,250 H shares held by HSBC Trustee (C.I.) Limited.
6. Both HSBC Finance (Netherlands) and HSBC Bank plc are wholly owned by HSBC Holdings plc. Pursuant to Notes 3, 4, 5, and the SFO, HSBC Holdings plc is deemed to be interested in the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.

Save as disclosed above, on 30 September 2012, no person (excluding the directors, supervisors and chief executive of the Bank) or corporation was recorded in the register of members required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Group operation review

In the first three quarters of 2012, the impact of the global financial crisis and euro sovereign debt crisis were yet disseminated, the global economy was still slowly recovering; at the same time, China experienced economic slowdown, accelerated its interest rate marketisation, and implemented more stringent regulation. In facing the ever-changing internal and external environment, the Group responded actively while maintained healthy development in various business aspects. At the end of the Reporting Period, the Group's total assets increased by 12.19% from the beginning of the year to RMB5,173.349 billion. Customer deposits increased by 10.88% from the beginning of the year to RMB3,640.301 billion. Total outstanding balance of loans and advances to customers (before impairment allowances, same applies hereinafter unless otherwise stated) increased by 11.98% from the beginning of the year to RMB2,868.550 billion. Net profits increased by 15.87% as compared with the corresponding period in prior year to RMB44.513 billion. Annualised average return on assets and annualised average return on shareholders' equity were 1.22% and 18.60%, representing an increase of 0.03 and a decrease of 1.92 percentage points respectively as compared with the prior year. Net interest spread decreased by 3 basis points and the net interest margin stayed the same as compared with the corresponding period in prior year, to 2.46% and 2.60% respectively under the impact of a new round decrease in interest rates by Central Bank. The impaired loan ratio increased by 0.01 percentage point to 0.87% from the beginning of the year, while the ratio of provision coverage of total loan amounts increased by 0.08 percentage point from the beginning of the year to 2.28%. The Group's capital adequacy ratio and core capital adequacy ratio reached 14.51% and 11.58% respectively, which are in compliance with the relevant regulations.

### (2) Business review

During the Reporting Period, the Group continued to optimise its credit structure, strengthening the liability management, and maintaining deposit and loans and other traditional business activities while promoting active trading of emerging business in the financial market and building its featured wealth management services, so as to fully implement its international and integrated strategy to enhance the Group's operating capability to a new level that is diversified, comprehensive, integrated and with special characters.

#### *Continuous growth in various financial market business lines*

In the first three quarters of 2012, facing the weakening domestic and overseas economy, the Group actively responded to challenges, keeping all kinds of trading activities active in the financial market.



Firstly, trading in the inter-bank market remains active, in which the Bank's accumulated trading volume in the inter-bank market increased by 20.95% as compared with the corresponding period in prior year while foreign exchange trading volume ranked the second in the industry. Secondly, precious metals business achieved positive growth, with its precious metal business center being established during the year, and the number of valet gold T + D accounts increased by 166.6 thousand or 244.41% from the beginning of the year. The accumulated volume of valet transaction volume increased by 84.46% to RMB42.654 billion as compared with the corresponding period in prior year. The accumulated transaction volume for proprietary gold trading reached 141.62 tons. The Bank was also granted the official quota to conduct gold futures transactions for hedging purposes. Thirdly, the Bank achieved strong development in its international business. During the Reporting Period, the Bank's international settlements amount increased by 26.88% as compared with the corresponding period in prior year, the amount of foreign exchange transactions increased by 7.87%, and its market share increased by 0.17 percentage point as compared with the prior year. The volume of international factoring business volume increased by 3.93 times of which the volume of FCI international dual factoring business volume increased by 4.60 times. Its related market share increased by 11 percentage points as compared with prior year, ranking the Bank second in the industry. The volume of import factoring business increased by 5.99 times, ranking top 1 in China and No. 3 in the world. Fourthly, custodian activities reached RMB1,312.905 billion, increased by 56.35% from the beginning of the year.

#### *Continued optimisation in credit structure*

Under the complex market environment, and increasing pressure from internal management and operation, the Group continued to optimise its credit structure in responding to national macroeconomic policies and industry trends.

The Group continued to improve its corporate credit policy and to optimise the industry orientation. Adhere to its "3-increase-3-decrease" policy, the Group developed "2012 Credit Sector Guidelines" and "Green Credit Policy". During the Reporting Period, the incremental loans in the field of high technology equipment manufacturing and other modern manufacturing industry, transportation, resource exploitation and modern service industry accounted for more than 40% of total loan increment of the Bank. At the end of the Reporting Period, the percentage of loans made to Midwest regions, individuals, and small, medium and micro-enterprises to total loans increased by 0.36, 0.11 and 1.39 percentage points respectively from the beginning of the year. Loans made to government financing platforms, real estate sector, and sectors categorised as high pollution, high energy consumption and overcapacity decreased by 1.57, 0.15 and 0.44 percentage points respectively from the beginning of the year.



The Group invested significant amount of efforts in supporting the development of medium, small and micro enterprises, by introducing the “One-Stop Services for Entrepreneurs” as the privileged product to small and micro enterprise customers with credit limits under RMB5 million, and further expanding the scope of the pilot areas to cover the Yangtze River Delta and the Pearl River Delta regions. The Group also optimised its service delivery of “E-loans online” for small enterprise customers, as well as made the one minute loan application process possible. Furthermore, the Group launched the “small enterprises e-loan” system to enable the small enterprise borrowers to conduct withdrawal and repayment of loans through online banking. During the Reporting Period, the Group introduced an innovative service approach called “Sub-Branches Specialised in Serving Technology Customers” in the cities or provinces of Suzhou, Shanghai, Beijing, Nanjing, Hubei and Sichuan, offering exclusive services to hi-tech small and micro enterprise customers. The Group continued to build its OTO small enterprise brand, with its number of OTO small business outlets increased from 36 to 91. At the end of the Reporting Period, the Group’s loan balance of medium, small and micro enterprises increased by 13.58% to RMB1,047.877 billion from the beginning of the year.

#### *Continued improvement in wealth management features*

During the Reporting Period, the Group continued to promote its wealth management strategy to expedite the construction of corporate wealth management system, and promote the development of private banking.

The Group accelerated its establishment of the corporate wealth management system and formulated the five-year planning of its wealth management business. The Group also introduced “The Guidelines on the Successful Marketing Routes of Win to Fortune in Urban Regions”, aiming at large enterprises to develop personalised financial services program, while introducing the service brand of “Win-to-Fortune — Kunpeng Program” to its medium-sized customers. The Group started the “Win-to-Fortune Cities Roadshow” to carry out centralised marketing activities primarily targeting shipping, engineering machinery, retail, insurance, hospital and other key industries. In addition, the Group successfully held the 2012 “Fortune Summit for Outstanding Entrepreneurs in China”, and promoted innovation in industrial chain business model of “One Branch Offering Nationwide Service”, with nine well-known automotive enterprises in the automotive industry chain achieved remarkable results. At the end of the Reporting Period, the total number of corporate customers, effective corporate customers and Win-to-Fortune customers increased by 10.47% from the beginning of the year, 17.52% and 9.28% respectively as compared with the corresponding period in prior year.

The Group continued to build its personal wealth management brand, as such, its private banking business made significant progress. The Group successfully passed the acceptance procedure and obtained approval from regulatory authorities on establishing separate private banking division. The number of private banking clients and the related assets increased by 21.11% and 24.48% respectively from the beginning of the year. The Group achieved steady growth in the number of medium-sized and high-end customers. The number of effective customer accounts of BOCOM Fortune and OTO increased by 17.09% and 18.22% respectively from the beginning of the year; the total balance of

individuals' financial assets managed by domestic financial institutions (AUM) increased by 11.12% to RMB1,672.470 billion from the beginning of the year; continued to optimise the business strategy of wealth management products, by launching "Period structured wealth management products" and "Tiantianli Daily Edition". Total sales of RMB wealth management products grew by 50.21% as compared with the corresponding period in prior year and 41.51% from the beginning of the year. The Group's credit card business developed quickly, with upgrading the brand marketing of "Red Friday". At the end of the Reporting Period, total number of credit cards issued increased by 3.65 million to 25.88 million from the beginning of the year while total accumulated transaction volume increased by 55% as compared with the corresponding period in prior year.

#### *Further promoting the "Globalisation and Integration Strategy"*

The Group further enhanced its goal of development of strategic transformation and its philosophy of "One BoCom, One Customer", actively promoted interactive development in cross-border and cross-industry business collaboration and accelerated the implementation of its "Globalisation and Integration Strategy".

Continuous improvement in international operations: Firstly, the Group experienced the rapid and exception growth in cross-border RMB business. During the Reporting Period, total cross-border RMB business increased by 27.97% to RMB163.589 billion as compared with the corresponding period in prior year. The Group constantly expanded its product scope, from cross-border trade settlement extended to cross-border investment and financing, proxy settlement, account services and investment banking of 5 series and 13 varieties. The Group became one of the first national RQFII custodian banks, jointly issued the "Report on Internationalisation of the RMB (2012)" together with the People's University of China and developed the first RMB internationalisation index. Secondly, the Group's offshore business achieved rapid development. During the Reporting Period, its offshore asset scale increased by 65.02% to USD10.675 billion from the beginning of the year. Thirdly, the Group substantially improved the business collaboration of its domestic and overseas business operation. During the Reporting Period, total transactions conducted under collaboration with overseas banking institutions increased by 131.52% to USD40.778 billion as compared with the corresponding period in prior year, of which, loans made under collaboration increased by 33.72%, and business transactions in other collaborative products such as the various factoring businesses increased by 3.43 times as compared with the corresponding of prior year. At the end of the Reporting Period, total assets managed by overseas banking institution increased by 30.63% to RMB433.561 billion as compared with the beginning of the year; net profits generated by overseas operation increased 42.65% to RMB2.221 billion as compared with the corresponding period in prior year.

Integrated operating capacity continued to improve: Firstly, leasing, trust and insurance businesses grew rapidly. During the Reporting Period, total leasing projects generated by Bocom Leasing for the period increased by 62% as compared with the corresponding period in prior year and the balance of finance lease payments increased by 46% from the beginning of the year. Bocom International Trust achieved a total growth of 118.6% in its revenue as compared with the corresponding period in prior year, and financial asset under its management increased by 70.16% from the beginning of the year. In addition,

it won the title of “2011 Outstanding Trust Company” issued by Securities Times. BoCommLife Insurance’s associated premium income grew by 26% during the period. It also established four branches in Henan Province, Suzhou, Wuxi, Hubei, with the total number of its branches increased to six. Secondly, the Group enhanced the capacity of rural financial services. During the Reporting Period, the Qingdao Laoshan Rural Bank was opened for business on 21 September 2012 focusing on “serving rural areas and small and medium sized enterprises (SMEs)”. Total assets managed by Bocom rural banks in Dayi, Anji, and Shihezi increased by 49.51% from the beginning of the year. The related net profits generated by these rural banks increased by 228.57% as compared with the corresponding period in prior year. Thirdly, the Group enhanced the cross-border and cross-industry collaboration of wealth management services. During the Reporting Period, Bocom International launched investment immigration products “Cai Da Tong”; Bocom Schroder continued to vigorously develop customised private account for wealth management products for private customers; Bocom International Trust developed the first open TOT trust scheme in automobile financing, set up the first investment trust scheme in active management of accounts receivable investment trust, and launched the first trust products of private placement; the insurance plan “Bocom Safe Credit” offered by BoCommLife Insurance has provided risk protection for RMB5.7 billion of loans. At the end of the Reporting Period, total assets of the Group’s controlling subsidiaries (excluding the UK subsidiary) increased by 40.75% to RMB87.766 billion as compared with the corresponding period in prior year. During the Reporting Period, the net profits contributed by these subsidiaries to the Group decreased by 2.32% to RMB0.716 billion as compared with the corresponding of the prior year, mainly due to the impairment in equity investment at Bocomm International as a result of the weakened international capital market.

#### *Accelerated pace in channel establishment*

During the Reporting Period, the Group continued to expand its service channels that include the physical network, electronic banking, and customer manager as part of the “Trinity” network construction. The Group put a significant amount of efforts in promoting the implementation of its international and integrated strategy on wealth management.

With respect to physical network, the Group comprehensively promoted the construction of integrated network and strengthened the preparation process and management of new branches. The Group also promoted the matrix reform at the provincial branch level, expediting the pace of process reengineering, and improving institutional evaluation system. During the Reporting Period, Taipei Branch, Laoshan Rural Banks, and Bank of Tibet Co., Ltd. which was invested by the Group, were successfully opened for business. In addition, 15 new branches were granted approval to commence operation. The branch coverage ratio of cities at prefecture level increased by 4 percentage points to 56%.

With respect to electronic banking, firstly, the Group expanded its electronic banking channels by launching online store and payment platform, building new business alliance interbank payment platform, and launching special credit card and mobile phone interbank payment products targeting tobacco retailers households. Secondly, the Group accelerated its innovation in financial services, by launching the pilot run of its remote Intelligent Teller Machine (ITM) that is mainly a self-service supplemented by long-distance video service. Thirdly, the Group continued to enhance its advantages in mobile finance by launching BlackBerry Bank and flat Bank to achieve full coverage of mobile operating system and mobile terminal. Fourthly, the Group further optimised its channel processes to enhance the customers' experience, and was awarded the "Global Call Center" title by ICMI (International Customer Management Institute). During the Reporting Period, the number of self-service banking outlets increased by 9.93% to 11,089 from the beginning of the year. Total transactions conducted through self-service banking increased 19.75% to RMB752.887 billion as compared with the corresponding period in prior year. The Bank's electronic banking diversion rate increased by 5.28 percentage points to 71.72% from the beginning of the year, ranked the third in the industry; the number of mobile banking customers increased by 62.62% to 9,997.2 thousand from the beginning of the year; transaction volume and amount of mobile banking increased by 349.39% and 361.04% respectively, as compared with the corresponding period in prior year, which are at the forefront in the industry. The customer satisfaction rate on the "95559" hotline increased by 1.08 percentage points to 99.64% as compared with the corresponding period in prior year.

#### *Overall improvement in enterprise risk management*

In facing the complex macro-economic environment and growing business management pressure, the Group adhered to its sound and prudent management principle and implemented effective measures in its risk management system. Firstly, the Group released the "Plan of Risk Management 2012–2015" and established the risk appetite management system, thus gradually improved the decision-making system for the Group's "1+3+2" risk management committee. Secondly, the Bank made orderly progress in building small middle offices to implement adequate risk management in wealth management services. Thirdly, the Group continued to broaden the application of operational risk management and tools, strengthen the risk profile of standard business operations, and improve business processes, risk control and IT systems function. Fourthly, the Group was fully committed to promote the implementation of the new Basel Capital Accord and the application of the risk measurement results in its daily management applications. Fifthly, the Group continued to strengthen its asset quality control, by conducting timely self-assessment and implementing adequate monitoring control over key and high risks areas.

At the end of the Reporting Period, the Group's impaired loans ratio increased by 0.01 percentage point from the beginning of the year to 0.87%. The provision coverage ratio increased by 6.89 percentage points from the beginning of the year to 263.26%. The loan loss provision ratio increased by 0.08 percentage point from the beginning of the year to 2.28%.

### (3) Financial statement analysis

#### 1. Analysis on major income statement items

##### (1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by RMB7.982 billion or 16.10% as compared with the corresponding period in prior year to RMB57.549 billion. Profit before tax was derived mainly from net interest income, and net fee and commission income.

The table below illustrates selected items which make up the Group's profit before tax for the periods indicated:

*(in millions of RMB)*

	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
Net interest income	<b>89,101</b>	76,413
Net fee and commission income	<b>15,543</b>	14,516
Impairment allowances	<b>(10,464)</b>	(9,349)
Profit before tax	<b>57,549</b>	49,567

##### (2) Net interest income

During the Reporting Period, the Group's net interest income increased by RMB12.688 billion as compared with the corresponding period in prior year to RMB89.101 billion. This accounted for 80.88% of the Group's net operating income and was a major component of the Group's income.



The table below shows the average daily balances, associated interest income and expenses, and annualised average yield or annualised average cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

*(in millions of RMB unless otherwise stated)*

	For the nine months ended 30 September 2012			For the nine months ended 30 September 2011		
	Average balance	Interest income/ (expense)	Annualised average yield/(cost) ratio (%)	Average balance	Interest income/ (expense)	Annualised average yield/(cost) ratio (%)
<b>ASSETS</b>						
Balances with central banks	713,217	8,344	1.56	582,444	6,753	1.55
Due from banks and other financial institutions	349,483	9,341	3.56	200,644	5,342	3.55
Loans and advances to customers and receivables	2,800,527	139,194	6.63	2,394,945	106,856	5.95
Of which:						
Corporate loans and receivables	2,141,483	105,507	6.57	1,874,596	83,225	5.92
Personal loans	496,423	26,230	7.05	426,681	19,401	6.06
Discount bills	162,621	7,457	6.11	93,668	4,230	6.02
Investment securities	810,106	22,616	3.72	792,528	20,270	3.41
<b>Total interest-bearing assets</b>	<b>4,577,273<sup>3</sup></b>	<b>176,634<sup>3</sup></b>	<b>5.15</b>	<b>3,924,176<sup>3</sup></b>	<b>137,840<sup>3</sup></b>	<b>4.68</b>
Total non-interest-bearing assets	188,656			171,779		
<b>TOTAL ASSETS</b>	<b>4,765,929<sup>3</sup></b>			<b>4,095,955<sup>3</sup></b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Due to customers	3,261,983	53,313	2.18	2,907,149	38,613	1.77
Of which:						
Corporate deposits	2,241,907	37,157	2.21	2,007,699	27,581	1.83
Personal deposits	1,020,076	16,156	2.11	899,450	11,032	1.64
Due to banks and other financial institutions	1,074,893	34,363	4.26	814,652	22,601	3.70
Debts issued and others	91,597	2,718	3.96	65,748	1,594	3.23
<b>Total interest-bearing liabilities</b>	<b>4,332,413<sup>3</sup></b>	<b>87,533<sup>3</sup></b>	<b>2.69</b>	<b>3,741,164<sup>3</sup></b>	<b>61,427<sup>3</sup></b>	<b>2.19</b>
Shareholders' equity and non-interest-bearing liabilities	433,516			354,791		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,765,929<sup>3</sup></b>			<b>4,095,955<sup>3</sup></b>		
<b>Net interest income</b>		<b>89,101</b>			<b>76,413</b>	
<b>Net interest spread<sup>1</sup></b>			<b>2.46<sup>3</sup></b>			<b>2.49<sup>3</sup></b>
<b>Net interest margin<sup>2</sup></b>			<b>2.60<sup>3</sup></b>			<b>2.60<sup>3</sup></b>
<b>Net interest spread<sup>1</sup></b>			<b>2.52<sup>4</sup></b>			<b>2.57<sup>4</sup></b>
<b>Net interest margin<sup>2</sup></b>			<b>2.66<sup>4</sup></b>			<b>2.67<sup>4</sup></b>

*Notes:*

1. This represents the difference between the annualised average yield on total average interest-bearing assets and the annualised average cost of total average interest-bearing liabilities.
2. This ratio represents the annualised net interest income to total average interest-bearing assets.
3. This eliminates the impact of wealth management products.
4. This eliminates the impact of wealth management products and takes into account the tax exemption on the interest income from investments in government bonds.

During the Reporting Period, the Group's net interest income increased by 16.60% as compared with the corresponding period in prior year. The Group's net interest spread decreased by 3 basis points and the net interest margin stayed the same as compared with the corresponding period in prior year to 2.46% and 2.60% respectively under the impact of decrease in interest rates of a new round.

The table below illustrates the impact of changes in volume and interest rates on the Group's interest income and interest expense. Changes indicated are based on the changes in average daily balance and interest rates on interest-bearing assets and interest-bearing liabilities during the periods indicated.

*(in millions of RMB)*

**Comparison between January to September 2012  
and January to September 2011  
Increase/(decrease) due to**

	<b>Balance</b>	<b>Interest rate</b>	<b>Net increase/ (decrease)</b>
<b>Interest-bearing assets</b>			
Balances with central banks	1,520	71	1,591
Due from banks and other financial institutions	3,963	36	3,999
Loans and advances to customers and receivables	18,099	14,239	32,338
Investment securities	450	1,896	2,346
Changes in interest income	24,032	16,242	40,274
<b>Interest-bearing liabilities</b>			
Customer deposits	4,710	9,990	14,700
Due to banks and other financial institutions	7,222	4,540	11,762
Debt issued and others	626	498	1,124
Changes in interest expense	12,558	15,028	27,586
Changes in net interest income	11,474	1,214	12,688

During the Reporting Period, the Group's net interest income increased by RMB12.688 billion as compared with the corresponding period in prior year, of which the increase of RMB11.474 billion was due to changes in the average balances of interest-bearing assets and interest-bearing liabilities, while the increase of RMB1.214 billion was due to changes in average rate of return and average cost ratio.



(3) *Net fee and commission income*

During the Reporting Period, the Group's net fee and commission income increased by RMB1.027 billion or 7.07% as compared with the corresponding period in prior year to RMB15.543 billion. Overall, this accounted for 14.11% of net operating income which decreased by 1.23 percentage points as compared with the corresponding period in prior year. Bank card, management service and guarantee and commitment have been the main growth areas of the Group's fee-based business.

The table below illustrates the major components of the Group's net fee and commission income for the periods indicated:

*(in millions of RMB)*

	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
Settlement service	<b>1,819</b>	1,630
Bank card	<b>5,581</b>	4,439
Investment banking	<b>4,242</b>	4,550
Guarantee and commitment	<b>2,193</b>	1,918
Management service	<b>2,548</b>	2,185
Agency service	<b>1,110</b>	1,354
Others	<b>374</b>	479
	<hr/>	<hr/>
<b>Total fee and commission income</b>	<b>17,867</b>	16,555
	<hr/> <hr/>	<hr/> <hr/>
<b>Less: Fee and commission expense</b>	<b>(2,324)</b>	(2,039)
<b>Net fee and commission income</b>	<b>15,543</b>	14,516
	<hr/> <hr/>	<hr/> <hr/>

(4) *Operating costs*

The Group continuously strengthened its cost management. During the Reporting Period, the Group's operating cost increased by RMB3.836 billion or 14.44% as compared with the corresponding period in prior year to RMB30.401 billion, 1.96 percentage points lower than the increase in net operating income. The cost-to-income ratio decreased by 0.43 percentage point as compared with the corresponding period in prior year to 28.23%, representing further enhancement of operating efficiency.

(5) *Impairment allowances*

During the Reporting Period, the Group's impairment losses on loans increased by RMB1.115 billion as compared with the corresponding period in prior year to RMB10.464 billion. It mainly due to (1) a decrease in collectively assessed allowances by RMB0.669 billion as compared with the corresponding period in prior year to RMB8.223 billion; the collectively assessed allowances ratio increased 0.10 percentage point to 1.88% from the beginning of the year; (2) an increase in individually assessed allowances by RMB1.784 billion as compared with the corresponding period in prior year to RMB2.241 billion, which was resulted from the increase of the outstanding balance of impaired loans. During the Reporting Period, credit-to-cost ratio decreased by 0.01 percentage point as compared with the corresponding period in prior year to 0.49%.

(6) *Income tax*

During the Reporting Period, the Group's income tax expense increased by RMB1.892 billion or 17.10% as compared with the corresponding period in prior year to RMB12.957 billion. The effective tax rate was 22.51%, which was lower than the statutory tax rate of 25%, was due to the tax exemption of interest income from government bonds held by the Group pursuant to the relevant tax provisions.

The table below illustrates the Group's current tax and deferred tax for the periods indicated:

	<i>(in millions of RMB)</i>	
	<b>For the nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
Current tax	<b>16,736</b>	11,838
Deferred tax	<b>(3,779)</b>	(773)

## 2. Analysis on major balance sheet items

### (1) Assets

At the end of the Reporting Period, the Group's total assets was RMB5,173.349 billion, representing an increase of RMB562.172 billion or 12.19% from the beginning of the year.

The table below illustrates the outstanding balances (after impairment allowances) of the principal components of the Group's total assets and their proportion to the total assets as at the dates indicated:

*(in millions of RMB unless otherwise stated)*

	30 September 2012		31 December 2011	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	2,803,070	54.18	2,505,385	54.33
Investment securities	864,506	16.71	799,946	17.35
Cash and balances with central banks	823,680	15.92	736,999	15.98
Due from banks and other financial institutions	<u>515,673</u>	9.97	<u>443,240</u>	9.61
<b>Total assets</b>	<b><u>5,173,349</u></b>		<b><u>4,611,177</u></b>	

#### ① Loans and advances to customers

During the Reporting Period, the Group reasonably controlled the volume, direction and pace of its credit disbursements, which brought balanced and steady increase in loans. At the end of the Reporting Period, the Group's total loans and advances to customers increased by RMB306.800 billion or 11.98% from the beginning of the year to RMB2,868.550 billion, among which the increase in RMB loans from domestic branches amounted to RMB224.288 billion or 9.86% from the beginning of the year.

#### Loans concentration by industry

During the Reporting Period, the Group actively supported the upgrading of industrial structure and the development of real economy, as well as vigorously promoted the optimisation of its own business structure.

The table below illustrates the distribution of the Group's loans and advances by industry as of the dates indicated:

*(in millions of RMB unless otherwise stated)*

	30 September 2012		31 December 2011	
	Balance	Proportion (%)	Balance	Proportion (%)
Mining	65,351	2.28	51,040	1.99
Manufacturing				
— Petroleum and chemical	106,805	3.72	103,193	4.03
— Electronics	50,178	1.75	52,532	2.05
— Steel, smelting and processing	44,969	1.57	42,547	1.66
— Machinery	102,543	3.57	89,785	3.50
— Textile and clothing	37,988	1.32	34,996	1.37
— Other manufacturing	214,400	7.48	188,906	7.37
Electricity, gas and water production and supply	133,495	4.65	141,316	5.52
Construction	90,718	3.16	80,621	3.15
Transportation, storage and postal service	357,769	12.47	329,566	12.86
Telecommunications, IT services and software	9,572	0.33	10,195	0.40
Wholesale and retail	391,729	13.66	290,874	11.35
Accommodation and catering	22,941	0.80	21,009	0.82
Financial services	17,924	0.62	22,995	0.90
Real estate	173,191	6.04	158,688	6.19
Services	180,094	6.28	160,039	6.25
Water conservancy, environmental and other public utilities	141,930	4.95	151,161	5.90
Education, science, culture and public health	36,672	1.28	32,647	1.27
Others	45,008	1.58	40,136	1.58
Discounted bills	71,782	2.50	50,197	1.96
<b>Total corporate loans</b>	<b>2,295,059</b>	<b>80.01</b>	<b>2,052,443</b>	<b>80.12</b>
Mortgage loans	341,205	11.89	312,897	12.21
Credit card advances	110,035	3.84	74,194	2.90
Medium-term and long-term working capital loans	53,978	1.88	51,060	1.99
Short-term working capital loans	33,270	1.16	37,495	1.46
Car loans	4,024	0.14	5,632	0.22
Others	30,979	1.08	28,029	1.10
<b>Total personal loans</b>	<b>573,491</b>	<b>19.99</b>	<b>509,307</b>	<b>19.88</b>
<b>Gross amount of loans and advances to customers before impairment allowance</b>	<b>2,868,550</b>	<b>100.00</b>	<b>2,561,750</b>	<b>100.00</b>

At the end of the Reporting Period, the Group's corporate loans increased by RMB242.616 billion or 11.82% from the beginning of the year to RMB2,295.059 billion. Corporate loans were mainly concentrated in the four industries of manufacturing, wholesale and retail, transportation, storage and postal service, and services, which collectively accounted for 64.77% of total corporate loans.

At the end of the Reporting Period, the Group's personal loans increased by RMB64.184 billion or 12.60% from the beginning of the year to RMB573.491 billion. The proportion of personal loans as a percentage to total loans and advances to customers increased by 0.11 percentage point from the end of the last year to 19.99%.

#### Loan concentration by borrowers

At the end of the Reporting Period, lending to the largest single customer of the Group accounted for 1.64% of the Group's net capital; total loans made to the top 10 customers accounted for 13.95% of the Group's net capital, which are in compliance with the regulatory requirements.

The table below illustrates the loan balances to the top 10 single borrower of the Group as at the date indicated:

*(in millions of RMB unless otherwise stated)*

		<b>As at 30 September 2012</b>	
	<b>Type of industry</b>	<b>Loan balance</b>	<b>Percentage of total loans and advance (%)</b>
Customer A	Transportation, storage and postal service	7,372	0.26
Customer B	Transportation, storage and postal service	7,317	0.26
Customer C	Transportation, storage and postal service	6,591	0.23
Customer D	Manufacturing — other manufacturing	6,568	0.23
Customer E	Transportation, storage and postal service	6,326	0.22
Customer F	Real estate	6,000	0.21
Customer G	Wholesale and retail	5,790	0.20
Customer H	Services	5,729	0.20
Customer I	Transportation, storage and postal service	5,591	0.19
Customer J	Transportation, storage and postal service	5,285	0.18
		62,569	2.18
Total		62,569	2.18

## Loan concentration by geographical locations

The Group's credit customers are mainly concentrated in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. At the end of the Reporting Period, loans and advances to customers in these three regions accounted for 33.37%, 20.99% and 7.83% of the Group's total loans, increased by 15.23%, 5.82% and 8.56% respectively from the beginning of the year.

## Loan quality

At the end of the Reporting Period, the impaired loans ratio increased by 0.01 percentage point from the beginning of the year to 0.87%, the provision coverage ratio of impaired loans increased by 6.89 percentage points from the beginning of the year to 263.26%, and the loan loss provision ratio increased by 0.08 percentage point to 2.28% from the beginning of the year.

The table below illustrates certain information on the Group's impaired loans and loans overdue by more than 90 days as at the dates indicated:

*(in millions of RMB unless otherwise stated)*

	<b>30 September 2012</b>	31 December 2011
Impaired loans	<b>24,873</b>	21,986
Loans overdue by more than 90 days	<b>19,789</b>	15,228
Percentage of impaired loans to gross amount of loans and advances to customers (%)	<b>0.87</b>	0.86

## Loan customer structure

At the end of the Reporting Period, based on the Bank's internal rating system, loans and advances to corporate customers of domestic branches of class 1 to class 8, accounted for 92.33% of total loans and advances to corporate customers and decreased by 0.91 percentage point from the beginning of the year; loans and advances to corporate customers of class 9 to class 12 accounted for 3.85% and decreased by 0.63 percentage point from the beginning of the year; loans and advances to corporate customers of class 13 to class 15 accounted for 1.17% and increased by 0.18 percentage point from the beginning of the year.

## ② *Investment securities*

At the end of the Reporting Period, the Group's investment securities increased by RMB64.56 billion or 8.07% from the beginning of the year to RMB864.506 billion. Return on investment securities reached a relatively satisfactory level of 3.72%.

## (2) Liabilities

At the end of the Reporting Period, the Group's total liabilities increased by RMB467.218 billion or 10.77% from the beginning of the year to RMB4,805.607 billion. Customer deposits increased by RMB357.069 billion from the beginning of the year. This accounted for 75.75% of total liabilities, representing an increase of 0.07 percentage point from the beginning of the year. Balances due to banks and other financial institutions increased by RMB95.537 billion and accounted for 19.77% of total liabilities, which was 0.07 percentage point higher than the beginning of the year.

### Customer deposits

Customer deposits were the main source of funding for the Group. At the end of the Reporting Period, the Group's customer deposit balance increased by RMB357.069 billion or 10.88% from the beginning of the year to RMB3,640.301 billion. With respect to the Group's customer structure, the proportion of corporate deposits decreased by 2.02 percentage points from the beginning of the year to 66.46%. The proportion of individual deposits to total deposits increased by 2.02 percentage points from the beginning of the year to 33.41%. With respect to deposit terms, the proportion of demand deposits to total deposits decreased by 6.64 percentage points from the beginning of the year to 42.30%, while the proportion of time deposits increased by 6.64 percentage points from the beginning of the year to 57.57%.

The table below illustrates the Group's corporate and individual deposits as of the dates indicated:

	<i>(in millions of RMB)</i>	
	<b>30 September 2012</b>	31 December 2011
<b>Corporate deposits</b>	<b>2,419,437</b>	2,248,317
Include: Corporate demand deposits	<b>1,106,079</b>	1,184,123
Corporate time deposits	<b>1,313,358</b>	1,064,194
<b>Individual deposits</b>	<b>1,216,233</b>	1,030,605
Include: Individual demand deposits	<b>433,814</b>	422,487
Individual time deposits	<b>782,419</b>	608,118



### 3. Analysis on major statement of cash flows items

At the end of the Reporting Period, the Group's cash and cash equivalents increased by RMB42.569 billion from the beginning of the year to RMB252.204 billion.

The net cash inflows from operating activities increased by RMB33.974 billion as compared with the corresponding period in prior year to RMB51.571 billion, which was mainly due to the net cash inflow of amounts due to the net increase of deposits, interbank and other financial institutions deposits and loans as compared with the corresponding period in prior year.

The net cash outflows from investing activities increased by RMB93.475 billion as compared with the corresponding period in prior year to RMB55.134 billion, which was mainly due to the increase in net cash outflows resulted from the investment securities as compared with the corresponding period in prior year.

The net cash inflows from financing activities increased by RMB49.110 billion as compared with the corresponding period in prior year to RMB46.023 billion, which was mainly due to cash inflows resulted from the private placement.

### 4. Segment analysis

#### (1) Operating results by geographical segments

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

*(in millions of RMB)*

	For the nine months ended 30 September			
	2012		2011	
	Profit before tax	Total income <sup>1</sup>	Profit before tax	Total income <sup>1</sup>
Northern China <sup>2</sup>	8,228	57,741	6,897	46,561
North-eastern China <sup>3</sup>	1,957	14,782	1,946	12,154
Eastern China <sup>4</sup>	18,866	111,504	17,917	87,945
Central and Southern China <sup>5</sup>	10,257	55,361	9,589	41,806
Western China <sup>6</sup>	4,654	24,790	4,420	19,100
Overseas <sup>7</sup>	2,594	8,392	1,876	5,674
Head office	10,993	49,050	6,922	37,137
Offsets		(118,740)		(90,886)
<b>Total<sup>8</sup></b>	<b>57,549</b>	<b>202,880</b>	<b>49,567</b>	<b>159,491</b>

Notes:

1. Includes net interest income, net fee and commission income, dividend income, net gains/(losses) from trading activities, net gains/(losses) arising from de-recognition of investment securities, insurance business income, net investment gains/(losses) of an associate and other operating income.
2. Includes Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province and the Inner Mongolia Autonomous Region (same applies hereinafter).
3. Includes Liaoning Province, Jilin Province and Heilongjiang Province (same applies hereinafter).
4. Includes Shanghai Municipality (excluding head office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province (same applies hereinafter).
5. Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Guangxi Autonomous Region and Hainan Province (same applies hereinafter).
6. Includes Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region (same applies hereinafter).
7. Includes Hong Kong Branch, New York Branch, Singapore Branch, Seoul Branch, Tokyo Branch, Frankfurt Branch, Macau Branch, Ho Chi Minh City Branch, San Francisco Branch, Sydney Branch, Taipei Branch and Bank of Communications (UK) Co., Ltd. and other overseas subsidiaries. (same applies hereinafter).
8. Includes minority interest income.

(2) *Deposits and loans and advances by geographical segments*

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

	<i>(in millions of RMB)</i>			
	<b>30 September 2012</b>		31 December 2011	
	<b>Deposits balance</b>	<b>Loans and advances balance</b>	Deposits balance	Loans and advances balance
Northern China	<b>615,485</b>	<b>473,165</b>	615,680	449,585
North-eastern China	<b>242,408</b>	<b>144,138</b>	217,617	129,009
Eastern China <sup>Note</sup>	<b>1,429,850</b>	<b>1,113,095</b>	1,280,206	1,002,609
Central and Southern China	<b>777,560</b>	<b>524,796</b>	679,097	479,278
Western China	<b>360,507</b>	<b>268,418</b>	316,843	238,853
Overseas	<b>210,640</b>	<b>227,989</b>	172,409	186,445
Head office	<b>3,851</b>	<b>116,949</b>	1,380	75,971
<b>Total</b>	<b><u>3,640,301</u></b>	<b><u>2,868,550</u></b>	<u>3,283,232</u>	<u>2,561,750</u>

Note: Excluding head office.

### (3) Operating results by business segments

The Group's four main business segments are: corporate banking, retail banking, treasury operations and other businesses. The corporate banking segment was the primary source of income for the Group, and accounted for 65.49% of the Group's net interest income.

The table below illustrates the Group's total net interest income from each of the Group's segments for the periods indicated:

*(in millions of RMB)*

	For the nine months ended 30 September 2012				
	Corporate Banking Services	Retail Banking Services	Treasury Operation Services	Other Services	Total
Net interest income	58,356	20,229	10,220	316	89,101
— Net interest income/ (expenses) from external customers	55,874	15,858	17,053	316	89,101
— Net interest income/ (expenses) from internal customers	2,482	4,371	(6,853)	—	—

## (4) Risk management

### 1. Credit risk management

During the Reporting Period, the Bank continued to adhere to its credit management objective of “3-increase-3-decrease” and promoted optimisation in its credit structure. The proportion of personal loans increased, while the proportion of loans made to public facility management, high pollution, high energy consumption and overcapacity sectors decreased. With “sector management” as a key feature, the Group enhanced its performance indicator management by industry, in order to provide better guidance to branches in optimising their credit structure through proper implementation of the bank-wide credit strategy, while maintaining careful consideration on regional differences.

Adhering to its core principle “focus on key areas, strengthen investigation, continuous monitoring, and achieve stability and integrity”, the Bank further refined its credit risk management, and continued to improve its monitoring of asset quality, with a special focus on loans coming due. The Bank also carried out regular forecast on repayment possibility for loans coming due next quarter, and performed loan classification based on repayment possibility. In addition, the Bank actively strengthened its monitoring of customers' accounts, with bank accounts and repayment source as new elements of monitoring activities, which enabled the change from monitoring of loan purpose to monitoring of bank account activities.

The Bank made constant improvement to its post-loan monitoring system for small enterprises and personal loans. The Bank further enriched the system functions and monitoring rules, application of tracking supervision on branches, and strengthened the post-loan management with centralised post-loan review practice well implemented.

The Bank proactively responded to increasing risk pressure and steadily improved the recovery of non-performing assets. The Bank placed high importance on collection and recovery of overdue loans to avoid from becoming non-performing loans. In addition, the Bank continued its risk mitigation efforts to monitor the entire process of personal loans. The Bank also set up collection and management process of branches for non-performing personal loans to connect with the centralised collection platform and effectively increased risk mitigation ability in handling non-performing loans at branches.

As at 30 September 2012, the breakdown of the Group's five loan categories as stipulated by the Chinese banking regulatory authorities is as follows:

*(in millions of RMB unless otherwise stated)*

Categories	As at 30 September 2012		As at 31 December 2011		As at 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	2,774,676	96.72	2,481,585	96.87	2,149,629	96.10
Special mention	69,001	2.41	58,179	2.27	62,310	2.78
<b>Total performing loan balance</b>	<b>2,843,677</b>	<b>99.13</b>	<b>2,539,764</b>	<b>99.14</b>	<b>2,211,939</b>	<b>98.88</b>
Sub-standard	11,654	0.41	9,042	0.35	10,592	0.47
Doubtful	8,820	0.31	8,450	0.33	9,930	0.45
Loss	4,399	0.15	4,494	0.18	4,466	0.20
<b>Total non-performing loan balance</b>	<b>24,873</b>	<b>0.87</b>	<b>21,986</b>	<b>0.86</b>	<b>24,988</b>	<b>1.12</b>
<b>Total</b>	<b>2,868,550</b>	<b>100.00</b>	<b>2,561,750</b>	<b>100.00</b>	<b>2,236,927</b>	<b>100.00</b>

## 2. Liquidity risk management

During the Reporting Period, the Bank paid close attention to domestic and foreign economic policies, financial market conditions, as well as factors that may affect liquidity such as capital changes of customers. The Bank also actively adjusted its asset structure and development plan. The key measures are: maintaining stable sources of liabilities to improve funding stability; proactive adjustment of its bill buyback, bond investment and other credit businesses according to the status of the liquidity risk; maintaining a balanced short-term funding through money market and inter-bank transactions; and utilise internal fund transfer pricing in its business structure adjustment at operating level. During the Reporting Period, the RMB and foreign currency liquidity remained at good level.

As at 30 September 2012, the Bank’s key liquidity ratios were as follows:

<b>Key Regulatory Indicators (%)</b>	<b>As at 30 September 2012</b>	<b>As at 31 December 2011</b>
Liquidity ratio (including domestic and foreign currencies)	<b>39.46</b>	35.37
Loan-to-deposit ratio (including domestic and foreign currencies)	<b>72.19</b>	71.94

### **3. *Market Risk Management***

During the Reporting Period, facing the progressive interest rate marketisation in China, the third round of quantitative easing policy implemented in the US, and changes in mechanism of Europe’s stability, the Bank further strengthened its market analysis and improved its proactive management capability of market risk. The coverage for KRM market risk management information system (KRM) was further expanded to establish direct linkage between the treasury business data of legal person entity and UK subsidiary and KRM. The Bank also enhanced the precision of its operation, and optimised its system configuration parameters. This further standardised the risk weight of RMB/foreign exchange transactions and foreign currency trading businesses.

### **4. *Operational risk management***

During the Reporting Period, based on the continuing improvement to operational risk management and application of tools, the Bank further strengthened the analysis on standard operational risk events and took the lead in refinement of business process and defective assessment. The Bank was committed to build established business process controls and IT system functions, and improve operational risk control capability.

The Bank set up organisational contact list for personnel responsible for handling operational risk. Business continuity management structure and outsourcing risk management policy were established respectively. The Bank also steadily promoted advanced measurement approach on operational risk.

### **5. *Anti-money laundering***

During the Reporting Period, the Bank continued its efforts in deepening the anti-money laundering activities. The Bank made revision to its “BOCOM Guidelines in Anti-Money Laundering for International Business”, and set out the development needs for 531 Project Anti-Money Laundering System. The Bank made further improvement in centralised data collection process in anti-money laundering, and carried out respective self-investigations on overseas branches.

## **(5) Internal control**

During the third quarter of 2012, the Bank's internal control system operated reliably and sound. The main internal control measures adopted by the Bank include:

- 1) According to the new requirements of "Regulations on Capital Management Methods of Commercial Banks" promulgated by China Banking Regulatory Commission ("CBRC"), the Bank started to build its capital management system by formulating overall capital management policies, introducing supplementary capital adequacy ratio measurement, assessment and information disclosures rules, and establishing data quality management system.
- 2) According to the latest policy guidelines of CBRC, the Bank launched its business continuity management system in which emergency response and quick recovery as core to management procedure in dealing with possible interrupt events to its core business operation.
- 3) According to the "Green Credit Guidelines" by CBRC, the Bank formulated its own Green Credit Policies. In the development of its credit business, the Bank placed high importance on the impact by enterprises and projects on environment and society, reasonable allocation of credit resources, and optimisation of credit structure.
- 4) The Bank made improvement to financial management system, asset custody and other intermediary business management system. The Bank also set up asset and liability management committee, small middle office for asset custody business risk management, strengthened review decision and risk management for relevant significant matters, and gradually turning credit risk of such business into the scope of credit examination.
- 5) The Bank made revision to "Overall Rating Method for Financial Management" and conducted assessment on budget management and asset management ability of branches.
- 6) In responding to the business operation sectors and process changes, the Bank revised "Administration of Appointed Business Leaders". At various branches, business leaders implemented the direct management system. Business leaders are appointed by the superior level and report directly to superior level so as to effectively mitigate operational risk, promote operational management and operational efficiency, and improve service capabilities.

## **(6) Outlook**

Looking into the fourth quarter of 2012, the Group will pay close attention to the profound changes and competitive landscape in the financial market and economic environment, with primary focus on the following aspects:

- 1) Continue to strengthen analysis on economic and financial market trend, and strive to achieve various business objectives set for the year;
- 2) Enhance debt cost control on liabilities, improve loan level pricing, and optimize business income structure;
- 3) Expedite structural adjustment and system innovation, comprehensively promote strategic transformation, and enhance business continuity ability;
- 4) Improve risk control and prevention capability, and support enhancement of risk management;
- 5) Continue to promote BoCom strategy, improve comprehensive and integrated management capability, and build a global wealth management bank.



## 5. SIGNIFICANT EVENTS

### (1) Shareholdings in other listed companies, unlisted financial institutions and companies proposed to be listed

#### 1. Holding of shares and securities issued by other listed companies

(in RMB unless otherwise stated)

Stock code	Stock name	Initial investment cost	Percentage of shareholding in the company (%)	Book value at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
600068	Gezhouba	134,800,485.00	1.42	254,152,500.00	—	(140,861,185.93)	Investment securities — available-for-sale	Foreclosed assets
000979	Zhonghong Gufen	7,944,771.11	1.23	80,911,025.00	—	(29,356,306.11)	Investment securities — available-for-sale	Foreclosed assets
0916	Longyuan Power	25,088,238.38	0.12	13,967,660.99	(11,368,913.60)	8,458,081.21	Investment securities — available-for-sale	Equity investment
03377	SINO-OCEAN LAND	64,685,194.57	0.24	49,298,477.27	6,109,527.18	9,002,612.55	Investment securities — available-for-sale	Equity investment
00067	LUMENA NEWMAT	116,441,043.81	0.79	49,180,068.19	(69,563,101.27)	66,490,255.08	Investment securities — available-for-sale	Equity investment
01798	DATANG RENEW	127,401,113.09	2.65	40,599,416.37	(68,711,557.87)	34,167,182.48	Investment securities — available-for-sale	Equity investment
600757	Changjiang Chuanmei	22,397,258.16	0.31	22,656,186.00	—	(6,214,268.16)	Investment securities — available-for-sale	Foreclosed assets
V	Visa Inc.	6,269,206.91	—	19,808,598.08	—	4,925,919.36	Investment securities — available-for-sale	Equity investment
01231	NEWTON RES	125,798,409.07	0.62	15,707,975.32	(204,209,115.88)	105,932,743.89	Investment securities — available-for-sale	Equity investment
0658	China High Speed Transmission	54,727,071.59	0.59	15,098,318.01	(38,706,572.14)	31,020,373.15	Investment securities — available-for-sale	Equity investment
	Others	<u>100,610,522.02</u>		<u>40,801,244.25</u>	<u>20,196,035.22</u>	<u>(10,580,789.10)</u>		
	Total	<u><u>786,163,313.71</u></u>		<u><u>602,181,469.48</u></u>	<u><u>(366,253,698.36)</u></u>	<u><u>72,984,618.42</u></u>		

Notes:

- The table above sets out the investment securities in other listed companies held by the Group, that are classified as investment securities-available-for-sale and financial assets at fair value through profit or loss.
- Gains/(losses) during the Reporting Period refer to the impact of such investments on the Group's consolidated net profit.

## 2. Holdings of shares issued by unlisted financial institutions and companies proposed to be listed

(in RMB unless otherwise stated)

Name of institution	Initial investment cost	Number of shares held	Percentage shareholding in the company (%)	Book value at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
Jiangsu Changshu Rural Commercial Bank Co., Ltd.	489,500,000.00	101,340,337	10.00	489,500,000.00	—	—	Investment securities — available-for-sale	Equity investment
China Union Pay Co., Ltd.	146,250,000.00	112,500,000	3.90	146,250,000.00	3,937,500.00	—	Investment securities — available-for-sale	Equity investment
China National Aviation Fuel Group Finance Corporation	120,000,000.00	N/A	10.00	120,000,000.00	—	—	Investment securities — available-for-sale	Equity investment
Bank of Tibet Co., Ltd.	300,000,000.00	300,000,000	20.00	299,508,252.67	1,019,658.43	—	Long term investment	Equity investment
Shaanxi Coal and Chemical Industry Group Finance Corporation	100,000,000.00	N/A	10.00	100,000,000.00	—	—	Investment securities — available-for-sale	Equity investment
<b>Total</b>	<b>1,155,750,000.00</b>			<b>1,155,258,252.67</b>	<b>4,957,158.43</b>			

## 3. Purchases and sales of shares of other listed companies

(in RMB unless otherwise stated)

	Number of shares held at the beginning of the Reporting Period (Shares)	Number of shares bought/ (sold) during the Reporting Period (Shares)	Number of shares held at the end of the Reporting Period (Shares)	Fund utilised	Gains
Purchases	351,426	667,938	1,019,364	6,498,826.20	—
Sales	257,005,028	(200,963,663)	56,041,365	—	1,616,646.40

*Note:* All changes in the shareholdings as shown in the table above are results of purchases and sales of shares of other listed companies by subsidiaries controlled by the Bank, except for disposal of shares obtained as collateral for loans in the course of business.

## (2) Audit Committee

The Bank has established an audit committee in accordance with the Corporate Governance Code as set out in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The main responsibilities of the audit committee are to review the Bank’s internal and external audits, examine and approve financial reports and oversee the implementation of the Bank’s internal control policies as well as the efficiency and compliance of internal controls. The audit committee and senior management have reviewed the Bank’s accounting policies and practices as well as the Third Quarterly Results, and discussed issues relating to internal controls and financial reporting.

## (3) Human Resources Management

### *Number and structure of employees*

At the end of September 2012, the Bank had 96,464 domestic employees, representing an increase of 9.02% from the beginning of the year, and had 1,728 local employees in overseas branches. The total number of the employees amounted to 98,192.

Among the domestic employees, 617 employees hold advanced senior professional and technical qualifications (accounting for approximately 0.64% of domestic employees), 16,856 employees hold intermediate professional and technical qualifications (accounting for approximately 17.47% of domestic employees), and 18,556 employees hold preliminary professional and technical qualifications (accounting for approximately 19.24% of domestic employees).

The average age of the Bank’s domestic employees was 33 years old, with 50,468 employees under the age of 30 (accounting for approximately 52.32% of domestic employees), 24,606 employees between the age of 30 and 40 (accounting for approximately 25.51% of domestic employees), 16,569 employees between the age of 40 and 50 (accounting for approximately 17.18% of domestic employees), and 4,821 employees above the age of 50 (accounting for approximately 5.00% of domestic employees).

The education background of domestic employees is as follows:

<b>Education background</b>	<b>Number of employees</b>	<b>Proportion (%)</b>
Graduate or higher	6,117	6.34
Undergraduate	57,568	59.68
College	27,129	28.12
Secondary vocational school or lower	5,650	5.86
Total	<u>96,464</u>	<u>100.00</u>

## Remuneration and Performance Management

The Bank continued to implement and develop its remuneration management system that follows the basic principle of “remuneration is determined with reference to job positions and is reflective of market value in the labor market” and emphasises on the balance between the steady of the position and the effectiveness of the motivation. Based on such principles, the Bank continued to implement and promote a sound remuneration management system and give full play to the role of remuneration in respect of corporate governance and risk management. The Group formulated its assessment measures at the beginning of the year, applied quarterly remuneration assessment and review and ensure the Bank to achieve overall performance objectives by releasing the guiding effect of the performance management.

### (4) Changes in shareholdings of directors, supervisors and senior management

Name	Position	Class of shares	Number of shares held at the beginning of the year	Increase in shareholdings during the Reporting Period	Decrease in shareholdings during the Reporting Period	Number of shares held at the end of the Reporting Period	Reason for changes in shareholdings
Zhang Jixiang	Non-executive director	A shares	37,180	800	—	37,980	Purchase through secondary market
Yang dongping	Chief risk officer	A shares	94,820	—	—	94,820	—

Save as disclosed above, at the end of the Reporting Period, none of the Bank’s directors, supervisors or chief executive held any shares of the Bank.

### (5) Changes in directors, supervisors and senior management

In July 2012, Mr. Dicky Peter Yip was resigned as the executive vice president of the Bank due to his retirement.

In August 2012, Mr. Shou Meisheng was appointed as the executive vice president of the Bank and Mr. Lv Benxian was appointed as the director of corporate business of the Bank. The qualifications of the above persons as the senior management of the Bank have been approved by the CBRC.

In August 2012, Mr. Zhu Hexin resigned as the director of corporate business of the Bank due to reassignment of work, but remained as a member of the senior management of the Bank and continued to serve as the chief of Beijing Administration Office and general manager of the Beijing branch.

### (6) Purchase, sale or redemption of the Bank’s shares

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

**(7) Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Bank has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the directors and supervisors of the Bank, all of them confirmed that they had complied with the required standards of the Model Code during the Reporting Period.

**(8) Compliance with the “Corporate Governance Code” under the Listing Rules of the Hong Kong Stock Exchange**

The Group is committed to establish high standards of corporate governance, and believes that a sound corporate governance to maximise shareholder value is critical for the Bank to maximise shareholders’ value. In order to adhere to high standards of corporate governance, the Bank has established a specialised, professional and accountable Board, a board of supervisors and experienced senior management. All the members of the Board and the board of supervisors, except for employee representative supervisors, are elected by the shareholders’ meeting. The Bank also established five special committees directly under the Board, including the strategy committee, the audit committee, the risk management committee, the personnel and remuneration committee, and the social responsibility committee. None of the directors of the Bank is aware of any information that would reasonably indicate that the Bank has not, for anytime during the nine months ended 30 September 2012, been in compliance with the “Corporate Governance Code” as set out in the Listing Rules.

## 6. FINANCIAL REPORTS

### (1) Unaudited Condensed Consolidated Statement of Comprehensive Income

(All amounts expressed in millions of RMB unless otherwise stated)

	Three months ended		Nine months ended	
	30 September 2012	2011 (Restated)	30 September 2012	2011 (Restated)
Interest income	61,292	50,849	179,495	139,221
Interest expense	(30,585)	(24,012)	(90,394)	(62,808)
<b>Net interest income</b>	<b>30,707</b>	<b>26,837</b>	<b>89,101</b>	<b>76,413</b>
Fee and commission income	5,406	5,500	17,867	16,555
Fee and commission expense	(825)	(740)	(2,324)	(2,039)
<b>Net fee and commission income</b>	<b>4,581</b>	<b>4,760</b>	<b>15,543</b>	<b>14,516</b>
Dividend income	15	5	28	64
Net (losses)/gains arising from trading activities	(308)	(435)	1,066	214
Net gains arising from de-recognition of investment securities	307	67	333	213
Insurance business income	103	99	529	419
Other operating income	777	1,134	3,561	2,805
Impairment losses on loans and advances to customers	(3,328)	(3,542)	(10,464)	(9,349)
Insurance business expense	(81)	(233)	(488)	(434)
Other operating expenses	(15,393)	(13,117)	(41,661)	(35,294)
Share of result of an associate	1	—	1	—
<b>Profit before tax</b>	<b>17,381</b>	<b>15,575</b>	<b>57,549</b>	<b>49,567</b>
Income tax	(3,929)	(3,521)	(12,957)	(11,065)
<b>Net profit for the period</b>	<b>13,452</b>	<b>12,054</b>	<b>44,592</b>	<b>38,502</b>
<b>Other comprehensive income/(loss)</b>				
Available-for-sale financial assets				
Changes in fair value recorded in equity	(1,366)	(1,622)	(219)	(1,828)
Changes in fair value reclassified from equity to profit or loss	(236)	(55)	(16)	(212)
Translation difference on foreign operations	94	(163)	77	(321)
Other comprehensive loss for the period	(1,508)	(1,840)	(158)	(2,361)
<b>Total comprehensive income for the period</b>	<b>11,944</b>	<b>10,214</b>	<b>44,434</b>	<b>36,141</b>
<b>Net profit attributable to:</b>				
Shareholders of the Bank	13,425	12,020	44,513	38,416
Non-controlling interests	27	34	79	86
<b>Total comprehensive income attribute to:</b>				
Shareholders of the Bank	11,928	10,203	44,344	36,097
Non-controlling interests	16	11	90	44
<b>Basic earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.70</b>	<b>0.62</b>

## (2) Unaudited Condensed Consolidated Statement of Financial Position

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 30 September 2012	As at 31 December 2011
<b>ASSETS</b>		
Cash and balances with central banks	823,680	736,999
Due from banks and other financial institutions	515,673	443,240
Financial assets at fair value through profit or loss	41,258	48,422
Loans and advances to customers	2,803,070	2,505,385
Investment securities — loans and receivables	28,565	28,256
Investment securities — available-for-sale	194,517	184,092
Investment securities — held-to-maturity	604,837	544,761
Interest in an associate	299	298
Property and equipment	41,859	37,017
Deferred income tax assets	11,777	7,926
Other assets	107,814	74,781
<b>Total assets</b>	<b><u>5,173,349</u></b>	<b><u>4,611,177</u></b>
<b>LIABILITIES</b>		
Due to banks and other financial institutions	950,036	854,499
Financial liabilities at fair value through profit or loss	22,099	18,921
Due to customers	3,640,301	3,283,232
Other liabilities	107,274	95,666
Current tax liabilities	6,448	4,247
Deferred income tax liabilities	12	21
Debt securities issued	79,437	81,803
<b>Total liabilities</b>	<b><u>4,805,607</u></b>	<b><u>4,338,389</u></b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to shareholders of the Bank</b>		
Share capital	74,263	61,886
Capital surplus	113,383	69,465
Other reserves	108,173	93,617
Retained earnings	70,433	46,834
	366,252	271,802
<b>Non-controlling Interests</b>	<b><u>1,490</u></b>	<b><u>986</u></b>
<b>Total equity</b>	<b><u>367,742</u></b>	<b><u>272,788</u></b>
<b>Total equity and liabilities</b>	<b><u>5,173,349</u></b>	<b><u>4,611,177</u></b>



### (3) Unaudited Condensed Consolidated Statement of Changes in Equity

(All amounts expressed in millions of RMB unless otherwise stated)

	Other reserves										Total
	Share capital	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for available-for-sale financial assets	Translation reserve on foreign operations	Retained earnings	Controlling interests	Non-controlling interests	
<b>Balance at 1 January 2011</b>	56,260	69,465	13,780	31,272	23,962	(589)	(1,318)	29,941	222,773	884	223,657
Net profit for the period	—	—	—	—	—	—	—	38,416	38,416	86	38,502
Changes in fair value recorded in equity	—	—	—	—	—	(1,790)	—	—	(1,790)	(38)	(1,828)
Changes in fair value reclassified from equity to profit or loss	—	—	—	—	—	(208)	—	—	(208)	(4)	(212)
Translation difference on foreign operations	—	—	—	—	—	—	(321)	—	(321)	—	(321)
<b>Total comprehensive income</b>	—	—	—	—	—	(1,998)	(321)	38,416	36,097	44	36,141
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	21	21
Dividends paid and accrued	—	—	—	—	—	—	—	(1,125)	(1,125)	(70)	(1,195)
Transfer to reserve	—	—	—	16,968	5,132	—	—	(22,100)	—	—	—
Distributions of stock dividend	5,626	—	—	—	—	—	—	(5,626)	—	—	—
<b>Balance at 30 September 2011</b>	<u>61,886</u>	<u>69,465</u>	<u>13,780</u>	<u>48,240</u>	<u>29,094</u>	<u>(2,587)</u>	<u>(1,639)</u>	<u>39,506</u>	<u>257,745</u>	<u>879</u>	<u>258,624</u>
<b>Balance at 1 January 2012</b>	61,886	69,465	18,771	48,240	29,094	(647)	(1,841)	46,834	271,802	986	272,788
Net profit for the period	—	—	—	—	—	—	—	44,513	44,513	79	44,592
Changes in fair value recorded in equity	—	—	—	—	—	(230)	—	—	(230)	11	(219)
Changes in fair value reclassified from equity to profit or loss	—	—	—	—	—	(16)	—	—	(16)	—	(16)
Translation difference on foreign operations	—	—	—	—	—	—	77	—	77	—	77
<b>Total comprehensive income</b>	—	—	—	—	—	(246)	77	44,513	44,344	90	44,434
Shares issued	12,377	43,918	—	—	—	—	—	—	56,295	375	56,670
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	74	74
Dividends paid	—	—	—	—	—	—	—	(6,189)	(6,189)	(35)	(6,224)
Transfer to reserve	—	—	—	9,917	4,808	—	—	(14,725)	—	—	—
<b>Balance at 30 September 2012</b>	<u>74,263</u>	<u>113,383</u>	<u>18,771</u>	<u>58,157</u>	<u>33,902</u>	<u>(893)</u>	<u>(1,764)</u>	<u>70,433</u>	<u>366,252</u>	<u>1,490</u>	<u>367,742</u>

#### (4) Unaudited Condensed Consolidated Statement of Cash Flows

(All amounts expressed in millions of RMB unless otherwise stated)

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Profit before tax:	<b>57,549</b>	49,567
Adjustments for:		
Impairment losses on loans and advances to customers	<b>10,464</b>	9,349
Impairment losses on foreclosed assets	<b>71</b>	—
Unwind of discount on allowances during the period	<b>(646)</b>	(575)
Impairment of finance lease receivables	<b>259</b>	146
Provision for/(reversal of) impairment of other receivables	<b>6</b>	(15)
Insurance contracts reserve	<b>184</b>	223
Impairment of investment securities	<b>366</b>	6
(Reversal of)/provision for outstanding litigation and unsettled obligation	<b>(48)</b>	91
Depreciation of property and equipment	<b>2,584</b>	2,520
Amortisation of rent and renovation	<b>368</b>	351
Share of result of an associate	<b>(1)</b>	—
Net losses from fair value hedges	<b>10</b>	—
Amortisation of land use rights	<b>86</b>	22
Amortisation of intangible assets	<b>203</b>	141
Interest income from investment in debt securities	<b>(22,068)</b>	(20,270)
Net gains arising from de-recognition of investment securities	<b>(333)</b>	(213)
Net gains on disposal of property and equipment	<b>(34)</b>	(81)
Increase in revaluation of investment property	<b>(11)</b>	(60)
Interest expense on subordinated debts securities and other debts issued	<b>2,454</b>	1,476
Interest expense on certificates of deposit issued	<b>132</b>	—
Dividend income	<b>(28)</b>	(64)
	<hr/>	<hr/>
Operating cash flows before movements in operating assets and liabilities	<b>51,567</b>	42,614
Net increase in mandatory reserve deposits	<b>(69,184)</b>	(95,165)
Net increase in due from banks and other financial institutions	<b>(47,361)</b>	(4,096)
Net decrease in financial assets at fair value through profit or loss	<b>7,164</b>	701
Net increase in loans and advances to customers	<b>(307,577)</b>	(271,957)
Net increase in other assets	<b>(35,209)</b>	(18,785)
Net increase in due to banks and other financial institutions	<b>95,537</b>	60,386
Net increase in financial liabilities at fair value through profit or loss	<b>3,082</b>	8,089
Net increase in due to customers	<b>357,069</b>	295,681
Net increase in other liabilities	<b>10,701</b>	10,981
Net increase in business tax payable	<b>317</b>	563
Income tax paid	<b>(14,535)</b>	(11,415)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>51,571</b>	17,597

**(4) Unaudited Condensed Consolidated Statement of Cash Flows (continued)***(All amounts expressed in millions of RMB unless otherwise stated)*

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from investing activities:</b>		
Purchase of investment securities	(274,646)	(177,632)
Disposal or redemption of investment in debt securities	204,053	200,135
Dividends received	28	64
Interest received from investment securities	21,126	19,837
Acquisition of intangible assets and other assets	(594)	(350)
Disposal of intangible assets and other assets	37	—
Purchase and construction of property and equipment	(5,861)	(4,092)
Disposal of property and equipment	723	379
	<u>(55,134)</u>	<u>38,341</u>
<b>Net cash (used in)/from investing activities</b>	<b>(55,134)</b>	<b>38,341</b>
<b>Cash flows from financing activities:</b>		
Proceeds from shares issued	56,577	—
Proceeds from debt securities issued	10,437	—
Cost paid for shares issued	(282)	—
Interest paid on debt securities issued	(2,131)	(1,913)
Dividends paid to shareholders of the Bank	(6,189)	(1,125)
Repayment of debt securities issued	(12,803)	—
Capital contribution by non-controlling interests	449	21
Dividends paid to non-controlling interests	(35)	(70)
	<u>46,023</u>	<u>(3,087)</u>
<b>Net cash from/(used in) financing activities</b>	<b>46,023</b>	<b>(3,087)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>109</u>	<u>(349)</u>
<b>Net increase in cash and cash equivalents</b>	<b>42,569</b>	<b>52,502</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>209,635</b>	<b>156,899</b>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>252,204</b></u>	<u><b>209,401</b></u>
<b>Supplementary Information</b>		
Interest received	174,982	135,544
Interest paid	<u>(80,470)</u>	<u>(57,341)</u>

## **(5) Notes to the Unaudited Condensed Consolidated Interim Financial Information**

### ***1 Basis of Preparation and Accounting Estimates and Judgments***

#### ***A Basis of preparation and principal accounting policies***

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

These unaudited condensed consolidated financial statements of the Group should be read in conjunction with the 2011 annual financial statements.

On 1 January 2012, the Group adopted the following amendments, which were applicable for the Group’s financial year beginning on 1 January 2012:

Amendments to International Financial Reporting Standard (“IFRS”) 7      Disclosures — Transfers of Financial Assets

Amendments to IAS 12      Deferred Tax — Recovery of Underlying Assets

The directors of the Bank considered that the application of the amendments to IFRS 7 will affect the Group’s disclosures regarding transfers of financial assets in the annual financial statements for the year ending 31 December 2012.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Under the amendments to IAS 12, investment properties that are measured using the fair value model in accordance with IAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors of the Bank reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is not rebutted.

The amendments to IAS 12 have been applied retrospectively by the Group. The change in accounting policy had no impact on amounts reported in these unaudited condensed consolidated financial statements.

Except for the above mentioned amendments, the Group adopts accounting policies and methods of computation which are consistent with those applied in financial statements for the year ended 31 December 2011.

New or revised standards and amendments that have been issued but not yet effective are as follows:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date of IFRS 9 and Transition Disclosures
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS1	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities

The directors of the Bank anticipate that the adoption of IFRS 13 in the Group's consolidated financial statements may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Group is considering the impact of IFRS 9 on the consolidated financial statements and the timing of its application. At the same time, the Group is considering the impact of the new and revised standards on consolidation, joint arrangements, associates and disclosure to the consolidated financial statements.

Except for the above mentioned impacts of standards and amendments, the adoption of the above new and revised standards and amendments issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

## B Critical accounting estimates and judgments in applying accounting policies

The preparation of these unaudited condensed consolidated financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The Group adopts accounting estimates and judgments in the process of applying the accounting policies which are consistent with those applied in financial statements for the year ended 31 December 2011.

### 2 Net interest income

	<i>(in millions of RMB)</i>			
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
		(Restated)		(Restated)
<b>Interest income</b>				
Balances with central banks	<b>2,883</b>	2,411	<b>8,344</b>	6,753
Due from banks and other financial institutions	<b>3,212</b>	2,013	<b>9,341</b>	5,342
Loans and advances to customers	<b>47,283</b>	39,013	<b>139,194</b>	106,856
Investment in debt securities	<b>7,914</b>	7,412	<b>22,616</b>	20,270
	<b>61,292</b>	50,849	<b>179,495</b>	139,221
<b>Interest expense</b>				
Due to banks and other financial institutions	<b>(10,869)</b>	(8,121)	<b>(34,363)</b>	(22,601)
Due to customers	<b>(18,803)</b>	(15,351)	<b>(53,313)</b>	(38,613)
Subordinated debts and other debts issued	<b>(812)</b>	(495)	<b>(2,454)</b>	(1,476)
Certificate of deposits issued	<b>(101)</b>	(45)	<b>(264)</b>	(118)
	<b>(30,585)</b>	(24,012)	<b>(90,394)</b>	(62,808)
<b>Net interest income</b>	<b>30,707</b>	26,837	<b>89,101</b>	76,413

For nine months ended 30 September 2012, interest income of the Group includes RMB548 million (nine months ended 30 September 2011: RMB607 million) of interest income accrued on investment securities at fair value through profit or loss.

For nine months ended 30 September 2012, interest expense of the Group includes RMB132 million (nine months ended 30 September 2011: RMB118 million) of interest expense accrued on certificate of deposits issued classified as financial liabilities designated at fair value through profit or loss.

(in millions of RMB)

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
Interest income on listed investments	<b>6,171</b>	5,874
Interest income on unlisted investments	<b>16,445</b>	14,396
	<hr/>	<hr/>
Subtotal	<b>22,616</b>	20,270
	<hr/> <hr/>	<hr/> <hr/>

For nine months ended 30 September 2012, interest income of the Group includes RMB646 million (nine months ended 30 September 2011: RMB575 million) of interest income accrued on impaired loans and advances to customers.

### 3 *Fee and commission income*

(in millions of RMB)

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
		(Restated)
Settlement service	<b>1,819</b>	1,630
Bank card	<b>5,581</b>	4,439
Investment banking	<b>4,242</b>	4,550
Guarantee and commitment	<b>2,193</b>	1,918
Management service	<b>2,548</b>	2,185
Agent service	<b>1,110</b>	1,354
Others	<b>374</b>	479
	<hr/>	<hr/>
	<b>17,867</b>	16,555
	<hr/> <hr/>	<hr/> <hr/>

(in millions of RMB)

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	<b>363</b>	174
	<hr/>	<hr/>
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	<b>755</b>	639
	<hr/> <hr/>	<hr/> <hr/>



#### 4 Impairment losses on loans and advances to customers

*(in millions of RMB)*

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
Loans and advances to customers				
— Collectively assessed losses	<b>2,113</b>	3,422	<b>8,223</b>	8,892
— Individually assessed losses	<b>1,215</b>	120	<b>2,241</b>	457
	<b><u>3,328</u></b>	<u>3,542</u>	<b><u>10,464</u></b>	<u>9,349</u>

#### 5 Income tax

*(in millions of RMB)*

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
Current tax				
— PRC enterprise income tax	<b>4,689</b>	4,354	<b>16,092</b>	11,458
— Hong Kong profits tax	<b>181</b>	65	<b>390</b>	267
— Overseas taxation	<b>95</b>	47	<b>254</b>	113
	<b><u>4,965</u></b>	<u>4,466</u>	<b><u>16,736</u></b>	<u>11,838</u>
Deferred income tax	<b>(1,036)</b>	(945)	<b>(3,779)</b>	(773)
	<b><u>3,929</u></b>	<u>3,521</u>	<b><u>12,957</u></b>	<u>11,065</u>

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2011: 25%) of the assessable income of the Bank and each of the subsidiaries established in PRC.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Group at 25% (2011: 25%). The major reconciliation items are as follows:

	<i>(in millions of RMB)</i>			
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
Profit before tax	<u>17,381</u>	15,575	<u>57,549</u>	49,567
Tax calculated at a tax rate of 25%	<b>4,346</b>	3,894	<b>14,388</b>	12,392
Effect of different tax rates in other countries (or regions)	<b>19</b>	1	<b>42</b>	(8)
Tax effect arising from income not subject to tax <sup>(1)</sup>	<b>(630)</b>	(529)	<b>(1,742)</b>	(1,602)
Tax effect of expenses that are not deductible for tax purposes <sup>(2)</sup>	<u>194</u>	155	<u>269</u>	283
Income tax expense	<u><b>3,929</b></u>	<u>3,521</u>	<u><b>12,957</b></u>	<u>11,065</u>

(1) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(2) The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expenses etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

## 6 *Basic earnings per share*

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue.

	<i>(in millions of RMB)</i>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
Profit attributable to shareholders of the Bank	<u>44,513</u>	38,416
Weighted average number of ordinary shares in issue (expressed in millions)	<u>63,261</u>	61,886
Basic earnings per share (expressed in RMB yuan per share)	<u>0.70</u>	0.62

## 7 *Derivative financial instruments*

The fair value of the Group's derivative instruments are as follows:

*(in millions of RMB)*

	<b>Contractual/ notional amount</b>	<b>Fair value</b>	
		<b>Assets</b>	<b>Liabilities</b>
<b>As at 30 September 2012</b>			
Foreign exchange contracts	813,087	2,723	(2,945)
Interest rate contracts	470,211	1,948	(2,847)
	<u>1,283,298</u>	<u>4,671</u>	<u>(5,792)</u>

*(in millions of RMB)*

	<b>Contractual/ notional amount</b>	<b>Fair value</b>	
		<b>Assets</b>	<b>Liabilities</b>
<b>As at 31 December 2011</b>			
Foreign exchange contracts	571,381	3,785	(3,392)
Interest rate contracts	326,370	1,800	(2,601)
	<u>897,751</u>	<u>5,585</u>	<u>(5,993)</u>

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at period/year end. These instruments, comprising foreign exchange and interest rate derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Group undertakes its transactions in foreign exchange and interest rate contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

## Credit risk weighted amounts

*(in millions of RMB)*

	As at 30 September 2012	As at 31 December 2011
Derivatives		
— Foreign exchange contracts	2,410	2,276
— Interest rate contracts	499	520
	<u>2,909</u>	<u>2,796</u>

## Contractual/notional amounts of derivative financial instruments by original currency

*(in millions of RMB)*

	As at 30 September 2012	As at 31 December 2011
RMB	683,961	474,914
US Dollar	482,242	339,866
HK Dollar	75,653	54,499
Others	41,442	28,472
Total	<u>1,283,298</u>	<u>897,751</u>

## Hedge accounting

As at 30 September 2012 and 31 December 2011, included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

*(in millions of RMB)*

	Contractual/ notional amount	Fair value Assets	Liabilities
<b>As at 30 September 2012</b>			
<b>Derivative financial instruments designated as hedging instruments in fair value hedges</b>			
— Interest rate swaps	7,039	—	(561)
Total	<u>7,039</u>	<u>—</u>	<u>(561)</u>

(in millions of RMB)

	<b>Contractual/ notional amount</b>	<b>Fair value</b>	
		<b>Assets</b>	<b>Liabilities</b>
As at 31 December 2011			
Derivative financial instruments designated as hedging instruments in fair value hedges			
— Interest rate swaps	7,000	—	(465)
Total	<u>7,000</u>	<u>—</u>	<u>(465)</u>

The Group uses interest rate swaps to minimise its exposure to fair value changes of its fixed-rate bond investments by swapping fixed-rate bond investments from fixed rates to floating rates. The interest rate swaps and the corresponding bond investments have the same terms and management of the Group considers that the interest rate swaps are highly effective hedging instruments.

The following table shows the profit and loss effects in the fair value hedges:

(in millions of RMB)

	<b>Nine months ended 30 September 2012</b>	<b>Nine months ended 30 September 2011</b>
Losses on hedging instruments	(96)	—
Gains on hedged items attributable to the hedge risk	<u>86</u>	<u>—</u>
Net losses from fair value hedges	<u>(10)</u>	<u>—</u>

## 8 Dividends

(in millions of RMB)

	<b>Nine months ended 30 September 2012</b>	<b>2011</b>
Paid to shareholders of the Bank in the period	<u>6,189</u>	<u>1,125</u>

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (a) Making up cumulative losses from prior years, if any;
- (b) Allocations to the non-distributable statutory reserve of 10% of the net profit of a bank as determined under the relevant PRC accounting standards;
- (c) Allocations to statutory general reserve;
- (d) Allocations to the discretionary reserve if approved by the General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the condensed consolidated statement of financial position upon approval by the shareholders at the General Meeting.

On 28 March 2012, the 12th meeting of the 6th session of the Board of Directors of the Bank proposed and the shareholders at the 2012 First Extraordinary General Meeting on 9 May 2012 approved, the Bank transferred a total of RMB4,808 million to the statutory general reserve and RMB9,917 million to discretionary reserve. A cash dividend of RMB0.10 (before tax) per share, amounting to RMB6,189 million based on the total number of shares outstanding of 61.886 billion shares as at 31 December 2011 was also approved. The actual distribution date of the above cash dividend was 18 June 2012.

## 9 *Financial guarantees and credit related commitments, other commitments and contingent liabilities*

### **Financial guarantees and credit related commitments**

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to its customers:

	<i>(in millions of RMB)</i>	
	<b>As at 30 September 2012</b>	As at 31 December 2011 (Restated)
Letters of guarantee	<b>286,056</b>	218,012
Letters of credit	<b>84,051</b>	82,755
Acceptances	<b>501,218</b>	447,943
Other commitments with an original maturity of		
— Under 1 year	<b>224,431</b>	165,000
— 1 year and over	<b>197,500</b>	204,949
	<b><u>1,293,256</u></b>	<u>1,118,659</u>

## Capital expenditure commitments

(in millions of RMB)

	As at 30 September 2012	As at 31 December 2011
Authorised but not contracted for	1,459	—
Contracted but not provided for	4,123	3,463
	<u>5,582</u>	<u>3,463</u>

## Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings and equipments under non-cancellable operating leases terms are as follows:

(in millions of RMB)

	As at 30 September 2012	As at 31 December 2011
Within 1 year	1,550	1,392
Beyond 1 year but not more than 5 years	3,856	3,474
More than 5 years	1,173	1,207
	<u>6,579</u>	<u>6,073</u>

## Commitments on security underwriting and bond acceptance

(in millions of RMB)

	As at 30 September 2012	As at 31 December 2011
Outstanding balance on security underwriting	<u>53,608</u>	<u>35,660</u>
Outstanding balance on bond acceptance <sup>(a)</sup>	<u>29,553</u>	<u>25,974</u>

- (a) The Bank is entrusted by the MOF to underwrite certain Certificates Type Treasury Bonds. The investors of Certificates Type Treasury Bonds have early redemption right while the Bank has the obligation to buy back those Certificates Type Treasury Bonds. The redemption price is the principal value of the Certificates Type Treasury Bond plus unpaid interest till redemption date.

The original maturities of these bonds vary from 1 to 5 years.

The MOF will not provide funding for the early redemption of these Certificates Type Treasury Bonds on a back-to-back basis but will pay interest and principal at maturity.



## Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (defendant) by a number of third parties at end of the period/year are summarised as follows:

	<i>(in millions of RMB)</i>	
	<b>As at 30 September 2012</b>	As at 31 December 2011
Outstanding claims	<u><b>1,334</b></u>	<u>1,508</u>
Provision for outstanding litigations	<u><b>561</b></u>	<u>561</u>

## 10 Segmental analysis

The Group's chief operating decision maker reviewed the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided upon location of the assets, as the Group's branches mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments.

There were no changes in the reportable segments during the period.

The measure of segment profit or loss reviewed by the Group's chief operating decision maker is profit before tax.

	<i>(in millions of RMB)</i>								
Nine months ended 30 September 2012	Head Office	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Eliminations	Group Total
External income	45,739	28,150	7,704	67,433	31,810	14,671	7,373	—	202,880
Inter-segment income	<u>3,311</u>	<u>29,591</u>	<u>7,078</u>	<u>44,071</u>	<u>23,551</u>	<u>10,119</u>	<u>1,019</u>	<u>(118,740)</u>	—
Total income	49,050	57,741	14,782	111,504	55,361	24,790	8,392	(118,740)	202,880
Profit before tax	<u><b>10,993</b></u>	<u><b>8,228</b></u>	<u><b>1,957</b></u>	<u><b>18,866</b></u>	<u><b>10,257</b></u>	<u><b>4,654</b></u>	<u><b>2,594</b></u>	<u>—</u>	<u><b>57,549</b></u>

(in millions of RMB)

Nine months ended 30 September 2011	Head Office	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Eliminations	Group Total
External income	34,702	23,281	6,597	53,310	24,747	11,527	5,327	—	159,491
Inter-segment income	2,435	23,280	5,557	34,635	17,059	7,573	347	(90,886)	—
Total income	37,137	46,561	12,154	87,945	41,806	19,100	5,674	(90,886)	159,491
Profit before tax	6,922	6,897	1,946	17,917	9,589	4,420	1,876	—	49,567

## 11 Liquidity risk

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period from reporting date to the contractual maturity date.

(in millions of RMB)

As at 30 September 2012	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
<b>Assets</b>									
Cash and balances with central banks	144,340	7,846	—	—	—	—	—	671,494	823,680
Due from banks and other financial institutions	58,553	295,617	90,254	67,886	3,351	—	12	—	515,673
Financial assets at fair value through profit or loss	—	2,076	2,664	14,685	16,341	4,992	—	500	41,258
Loans and advances to customers	—	220,751	344,421	934,109	644,294	642,736	16,759	—	2,803,070
Investment securities — loans and receivables	—	164	1,043	1,524	5,664	20,170	—	—	28,565
Investment securities — available-for-sale	—	2,562	7,114	48,608	91,268	42,761	—	2,204	194,517
Investment securities — held-to-maturity	—	6,280	18,159	66,322	334,314	179,762	—	—	604,837
Other assets	26,481	10,202	10,278	12,279	42,697	15,930	285	43,597	161,749
<b>Total assets</b>	<b>229,374</b>	<b>545,498</b>	<b>473,933</b>	<b>1,145,413</b>	<b>1,137,929</b>	<b>906,351</b>	<b>17,056</b>	<b>717,795</b>	<b>5,173,349</b>
<b>Liabilities</b>									
Due to banks and other financial institutions	(118,485)	(151,548)	(138,025)	(144,654)	(396,496)	(828)	—	—	(950,036)
Financial liabilities at fair value through profit or loss	(5,268)	(652)	(1,678)	(7,654)	(5,813)	(1,034)	—	—	(22,099)
Due to customers	(1,708,812)	(237,953)	(436,954)	(736,756)	(517,692)	(2,134)	—	—	(3,640,301)
Other liabilities	(42,912)	(10,479)	(12,201)	(31,295)	(53,056)	(43,228)	—	—	(193,171)
<b>Total liabilities</b>	<b>(1,875,477)</b>	<b>(400,632)</b>	<b>(588,858)</b>	<b>(920,359)</b>	<b>(973,057)</b>	<b>(47,224)</b>	<b>—</b>	<b>—</b>	<b>(4,805,607)</b>
<b>Net amount on liquidity gap</b>	<b>(1,646,103)</b>	<b>144,866</b>	<b>(114,925)</b>	<b>225,054</b>	<b>164,872</b>	<b>859,127</b>	<b>17,056</b>	<b>717,795</b>	<b>367,742</b>

(in millions of RMB)

As at 31 December 2011	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
<b>Assets</b>									
Cash and balances with central banks	114,060	—	—	—	—	—	—	622,939	736,999
Due from banks and other financial institutions	62,850	285,382	18,979	75,157	860	—	12	—	443,240
Financial assets at fair value through profit or loss	—	2,715	3,954	15,116	20,200	6,305	—	132	48,422
Loans and advances to customers	—	170,161	282,312	825,120	601,798	617,062	8,932	—	2,505,385
Investment securities — loans and receivables	—	300	1,515	6,555	6,422	13,464	—	—	28,256
Investment securities — available-for-sale	—	2,594	9,300	28,587	95,581	45,288	—	2,742	184,092
Investment securities — held-to-maturity	—	6,504	9,646	105,434	264,029	159,148	—	—	544,761
Other assets	14,421	5,105	10,297	16,578	24,348	10,289	257	38,727	120,022
<b>Total assets</b>	<b>191,331</b>	<b>472,761</b>	<b>336,003</b>	<b>1,072,547</b>	<b>1,013,238</b>	<b>851,556</b>	<b>9,201</b>	<b>664,540</b>	<b>4,611,177</b>
<b>Liabilities</b>									
Due to banks and other financial institutions	(142,593)	(160,682)	(90,138)	(95,629)	(359,027)	(6,430)	—	—	(854,499)
Financial liabilities at fair value through profit or loss	(406)	(1,795)	(1,577)	(4,556)	(9,694)	(893)	—	—	(18,921)
Due to customers	(1,619,891)	(416,608)	(347,850)	(655,603)	(238,556)	(4,724)	—	—	(3,283,232)
Other liabilities	(45,604)	(6,389)	(21,343)	(23,774)	(25,933)	(58,694)	—	—	(181,737)
<b>Total liabilities</b>	<b>(1,808,494)</b>	<b>(585,474)</b>	<b>(460,908)</b>	<b>(779,562)</b>	<b>(633,210)</b>	<b>(70,741)</b>	<b>—</b>	<b>—</b>	<b>(4,338,389)</b>
<b>Net amount on liquidity gap</b>	<b>(1,617,163)</b>	<b>(112,713)</b>	<b>(124,905)</b>	<b>292,985</b>	<b>380,028</b>	<b>780,815</b>	<b>9,201</b>	<b>664,540</b>	<b>272,788</b>

## 7. PUBLICATION OF THE THIRD QUARTERLY RESULTS

This results announcement is published on the Hong Kong Stock Exchange HKExnews website ([www.hkexnews.hk](http://www.hkexnews.hk)), as well as the Bank's website ([www.bankcomm.com](http://www.bankcomm.com)). The 2012 Third Quarterly Report, which is prepared in accordance with PRC GAAP, will be available on the Shanghai Stock Exchange website ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank's website ([www.bankcomm.com](http://www.bankcomm.com)).

By order of the Board  
**Bank of Communications Co., Ltd.**  
**Hu Huaibang**  
*Chairman of the Board*

Shanghai, the PRC  
30 October 2012

As at the date of this announcement, the directors of the Bank are Mr. Hu Huaibang, Mr. Niu Ximing, Mr. Qian Wenhui, Ms. Yu Yali, Mr. Zhang Jixiang\*, Mr. Hu Huating\*, Ms. Du Yuemei\*, Mr. Wong Tung Shun, Peter\*, Ms. Fung Yuen Mei, Anita\*, Mr. Ma Qiang\*, Mr. Lei Jun\*, Dr. Li Ka-cheung, Eric#, Mr. Gu Mingchao#, Mr. Wang Weiqiang#, Mr. Peter Nolan#, Mr. Chen Zhiwu#, and Mr. Choi Yiu Kwan#.

\* Non-executive directors

# Independent non-executive directors