交通銀行
BANK OF COMMUNICATIONS

YOUR WEALTH MANAGEMENT BANK

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

2012 ANNUAL REPORT

Stock Code:03328

Company Profile

Founded in 1908, Bank of Communications Co., Ltd. is one of the oldest banks in China as well as one of the note-issuing banks in modern China. The Bank was listed on the Hong Kong Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007.

The Bank currently has 182 domestic branches, comprising 30 provincial branches, 7 branches directly managed by the Head Office and 145 managed by provinces. It has also established 2,701 banking outlets in 202 cities and 144 counties nationwide. In addition, the Bank has set up 12 overseas institutions, comprising branches in Hong Kong, New York, San Francisco, Tokyo, Singapore, Seoul, Frankfurt, Sydney, Macau, Ho Chi Minh City, representative office in Taipei and Bank of Communications (UK) Co., Ltd. According to the "Top 1000 Global Banks 2012" published by the British magazine "The Banker", the Bank was ranked number 30 in terms of its Tier 1 capital, moving 5 positions forward as compared with the prior year, and was among the top 50 for the fourth consecutive year.

The Bank is one of the major financial services providers in China. The Bank's business scope includes commercial banking, securities services, trust services, financial leasing, fund management, insurance and offshore financial services. Its wholly-owned subsidiaries include BOCOM International Holdings Company Limited, China BOCOM Insurance Co., Ltd and Bank of Communications Finance Leasing CO., Ltd. Subsidiaries controlled by the Bank include Bank of Communications Schroder Fund Management Co., Ltd, Bank of Communications International Trust Co., Ltd, BoCommLife Insurance Company Limited, Dayi Bocomm Xingmin Rural Bank, Zhejiang Anji BOCOM Rural Bank Ltd, Xinjiang Shihezi BOCOM Rural Bank and Qingdao Laoshan BOCOM Rural Bank. In addition, the Bank is the largest shareholder of Jiangsu Changshu Rural Commercial Bank Co., Ltd.

The Bank's development strategy is to become "a first class listed universal banking group focusing on international expansion and specialising in wealth management" (hereinafter referred to as "**BoCom Strategy**").

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Bank of Communications Co., Ltd.

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Definitions

The following terms will have the following meanings in the Annual Report unless otherwise stated:

"Bank"	Refers to the Bank of Communications Co., Ltd.
"Board of Directors"	Refers to the Board of Directors of the Bank
"Group"	Refers to the Bank and its subsidiaries
"CBRC"	Refers to China Banking Regulatory Commission
"PBOC"	Refers to The People's Bank of China
"Ministry of Finance"	Refers to the Ministry of Finance of the People's Republic of China
"CSRC"	Refers to China Securities Regulatory Commission
"Shanghai Stock Exchange"	Refers to the Shanghai Stock Exchange
"Hong Kong Stock Exchange"	Refers to The Stock Exchange of Hong Kong Limited
"SSF"	Refers to the National Council for Social Security Fund
"HSBC"	Refers to The Hong Kong and Shanghai Banking Corporation Limited
"Hong Kong Listing Rules"	Refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Company Law"	Refers to the Company Law of the People's Republic of China
"Securities Law"	Refers to Securities Law of the People's Republic of China
"Commercial Bank Law"	Refers to the Law of the People's Republic of China on Commercial Banks
"Articles of Associations"	Refers to the Articles of Association of the Bank of Communications Co., Ltd. as approved by CBRC
"Northern China"	Includes Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
"North Eastern China"	Includes Liaoning Province, Jilin Province and Heilongjiang Province
"Eastern China"	Includes Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province
"Central and Southern China"	Includes Henan Province, Hunan Province, Hubei Province, Guangdong Province, Hainan Province and Guangxi Autonomous Region
"Western China"	Includes Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Xinjiang Autonomous Region and Tibet Autonomous Region
"Overseas"	Includes Hong Kong Branch, New York Branch, Singapore Branch, Tokyo Branch, Seoul Branch, Frankfurt Branch, Macau Branch, Ho Chi Minh City Branch, Sydney Branch, San Francisco Branch, Taipei Branch and Bank of Communications (UK) Co., Ltd. and other overseas subsidiaries
"Head Office"	Refers to the Group's Head Office in Shanghai
"RMB"	Refers to Renminbi, the lawful currency of the PRC
"Basis point"	Refers to one in ten thousand
"Impaired loans"	Refers to loans which are impaired due to objective evidence that the counterparty will be unable to pay amounts in full when due
"Interest-bearing assets"	Refers to the loans and advances to customers and receivables investment securities, and due from banks and other financial institutions
"Interest-bearing liabilities"	Refers to due to customers, due to banks and other financial institutions and other borrowings
"Bocom Schroder"	Refers to Bank of Communications Schroder Fund Management Co., Ltd.
"Bocom International Trust"	Refers to Bank of Communications International Trust Co., Ltd.
"Bocom Leasing"	Refers to Bank of Communications Finance Leasing CO., Ltd.
"Bocom International"	Refers to BOCOM International Holdings Company Limited
"BoCommLife Insurance"	Refers to BoCommLife Insurance Company Limited
"Bocom Insurance"	Refers to China BOCOM Insurance Co., Ltd.

Important Risk Reminder

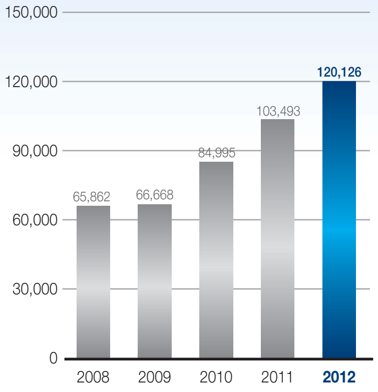
Investors should notice that the foundation of Chinese economic recovery is continued to be unstable. The contradiction between economic slowdown and industrial overcapacity is aggravated. Macroeconomic control policy continues to be adopted. The potential risks in aspects of financing platform of local governments, real estate, "heavily-polluting, highly-energy-consuming and over-capacity sectors" still exist.

To proactively respond to the risk in credit business, the Bank adheres to its "BoCom Strategy", balancing the relations among development transformation, operation development and risk management and control, as well as focusing on enhancing its development quality and efficiency. The Bank continues to strengthen the risk management in aspects of financing platforms of local governments, real estate, "heavily-polluting, highly-energy-consuming and over-capacity sectors". With the establishment of a long-term risk prevention mechanism, the Bank identifies potential risks, implements a total volume control and watch-list management, as well as takes effective measures to reduce the volume of high risk loans or obtain additional credit protection, and collects non-performing assets.

Financial Highlights

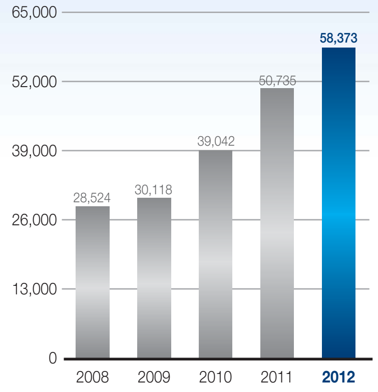
Net interest income

in millions of RMB



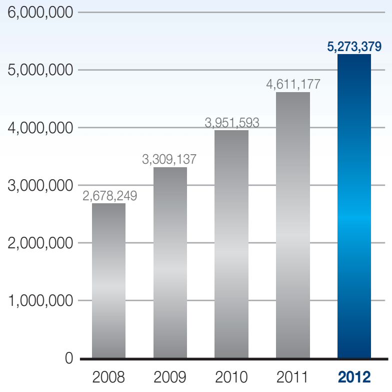
Net profit (excluding non-controlling interests)

in millions of RMB



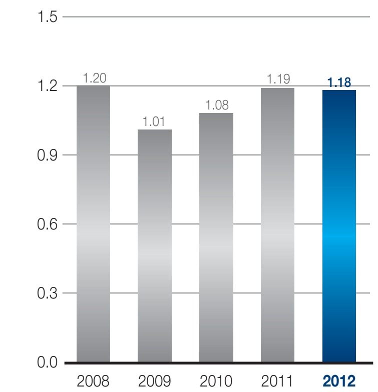
Total assets

in millions of RMB



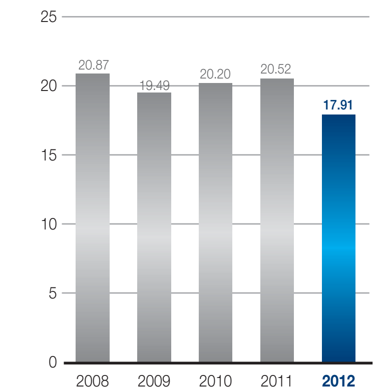
Returns on average assets

%



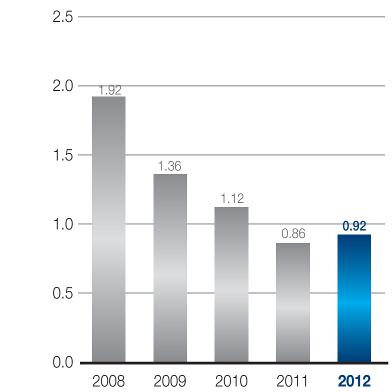
Returns on average shareholders' equity

%



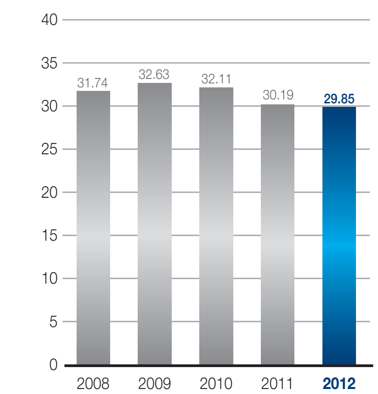
Impaired loans ratio

%



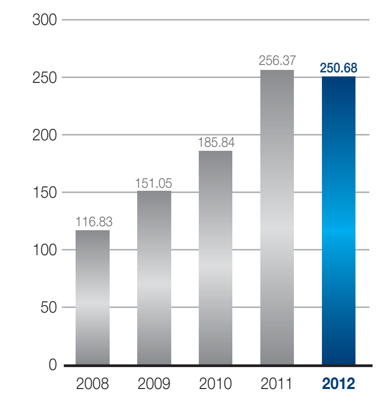
Cost to income ratio

%



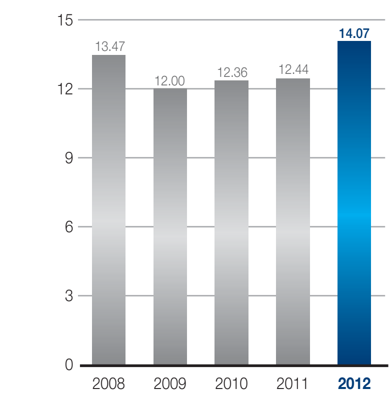
Provision coverage of impaired loans

%



Capital adequacy ratio

%



Description	2012	2011	2010	2009	2008
Full year results					*(in millions of RMB)*
Net interest income	**120,126**	103,493	84,995	66,668	65,862
Profit before tax	**75,216**	65,451	49,954	38,301	35,953
Net profit (excluding non-controlling interests)	**58,373**	50,735	39,042	30,118	28,524
As at the end of the year					*(in millions of RMB)*
Total assets	**5,273,379**	4,611,177	3,951,593	3,309,137	2,678,249
Includes: loans advances to customers	**2,947,299**	2,561,750	2,236,927	1,839,314	1,328,590
Total liabilities	**4,891,932**	4,338,389	3,727,936	3,144,712	2,532,649
Includes: due to customers	**3,728,412**	3,283,232	2,867,847	2,372,055	1,865,815
Shareholders' equity (excluding non-controlling interests)	**379,918**	271,802	222,773	163,848	145,167
Per share					*(in RMB)*
Earnings per share (excluding non-controlling interests)	**0.88**	0.82	0.66	0.53	0.51
Net assets per share (excluding non-controlling interests)	**5.12**	4.39	3.96	3.34	2.96
Major financial ratios					%
Return on average assets[1]	**1.18**	1.19	1.08	1.01	1.20
Return on average shareholders' equity[2]	**17.91**	20.52	20.20	19.49	20.87
Cost-to-income ratio[3]	**29.85**	30.19	32.11	32.63	31.74
Impaired loans ratio[4]	**0.92**	0.86	1.12	1.36	1.92
Provision coverage of impaired loans[5]	**250.68**	256.37	185.84	151.05	116.83
Capital adequacy indicators					%
Core capital adequacy ratio	**11.24**	9.27	9.37	8.15	9.54
Capital adequacy ratio	**14.07**	12.44	12.36	12.00	13.47

Notes:

1. Calculated by dividing 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 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 certain operating expenses as a percentage of 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 as at the end of the Reporting Period.
5. Calculated by dividing the outstanding balance of impairment allowances by the outstanding balance of impaired loans as at the end of the Reporting Period.

Corporate Information

LEGAL NAME

交通銀行股份有限公司

Bank of Communications Co., Ltd.

LEGAL REPRESENTATIVE

Hu Huaibang

BOARD OF DIRECTORS

Executive Directors

Hu Huaibang (Chairman)

Niu Ximing (Vice Chairman and President)

Qian Wenhui

Yu Yali

Non-executive Directors

Zhang Jixiang

Hu Huating

Du Yuemei

Peter Wong Tung Shun

Anita Fung Yuen Mei

Ma Qiang

Lei Jun

Independent Non-executive Directors

Eric Li Ka-cheung

Gu Mingchao

Wang Weiqiang

Peter Nolan

Chen Zhiwu

Choi Yiu Kwan

SUPERVISORY COMMITTEE

Hua Qingshan (Chairman)

Jiang Yunbao

Jiang Zuqi

Gu Huizhong

Guo Yu

Yang Fajia

Chu Hongjun

Li Jin

Yan Hong

Liu Sha

Chen Qing

Shuai Shi

Du Yarong

COMPANY SECRETARY

Du Jianglong

AUTHORISED REPRESENTATIVES

Qian Wenhui

Du Jianglong

INVESTOR SERVICES

Address:	No. 188 Yin Cheng Zhong Road, Pudong New District, Shanghai, the PRC (200120)
Tel:	86-21-58766688
Fax:	86-21-58798398
E-mail:	investor@bankcomm.com
Website:	www.bankcomm.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Address:	20 Pedder Street, Central, Hong Kong
Tel:	852-29738861

NEWSPAPERS AND WEBSITES FOR INFORMATION DISCLOSURE

A Share:	China Securities Journal
	Shanghai Securities News
	Securities Times
	Website of the Shanghai Stock Exchange
	www.sse.com.cn
H Share:	Website of The Stock Exchange of Hong Kong Limited
	www.hkexnews.hk

PLACES WHERE THE ANNUAL REPORT ARE AVAILABLE

Head Office of the Bank and principal business locations

AUDITORS

International:	Deloitte Touche Tohmastu
PRC:	Deloitte Touche Tohmatsu CPA LLP

HONG KONG LEGAL ADVISER

DLA Piper UK LLP

PRC LEGAL ADVISER

King & Wood

A SHARES SPONSORS

Haitong Securities Co., Ltd.

SHARE REGISTRARS AND TRANSFER OFFICE

A Share:	China Securities Depository and Clearing Corporation Limited , Shanghai Branch
	3/F, China Insurance Building,
	No. 166 Lujiazui Dong Road,
	Pudong New District, Shanghai, PRC
H Share:	Computershare Hong Kong Investor Services Limited,
	Room 1712-1716.
	17/F, Hopewell Centre,
	183 Queen's Road East, Hong Kong

LISTING INFORMATION

A Share:	Place of Listing:	Shanghai Stock Exchange
	Stock Name:	Bank of Communications
	Stock Code:	601328
H Share:	Place of Listing:	The Stock Exchange of Hong Kong Limited
	Stock Name:	BANKCOMM
	Stock Code:	03328

OTHER INFORMATION

First Registration Date: 30 March 1987

Registration Date of Change of Business: 5 January 2013

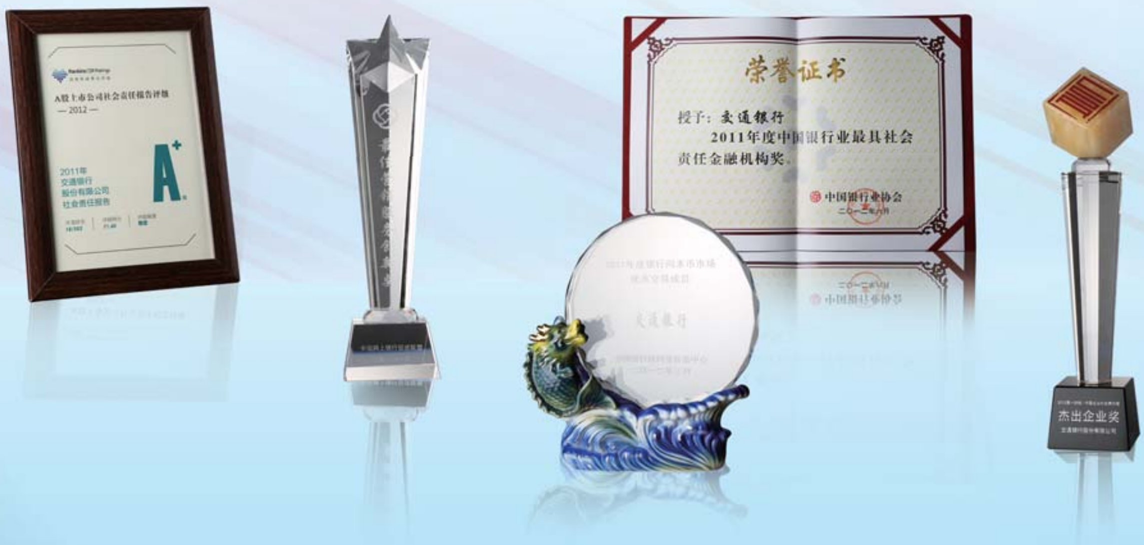
Registration Agency: State Administration for Industry & Commerce of The People's Republic of China

Business Registration No.: 100000000005954

Tax Registration No.: 31004310000595X

Organisation Code: 10000595-X

Awards



THE PEOPLE'S BANK OF CHINA

The First Prize for Gold Market Statistics Monitoring
The Second Prize for Bank Technology Development
Best National Anti-money Laundering Institution Award

CHINA BANKING REGULATORY COMMISSION

Project of High Availability Pattern Research and Best Practice of Data Centre
Project of Commercial Bank IT Operation System Based on ITILv3

CHINA BANKING ASSOCIATION

Best Banking Partner for Trading Company
Outstanding Contribution Individual for Trade Finance
Comprehensive Model Institution
Outstanding Contribution Award (Institution) from Banking Industry Development and Research Committee
Outstanding Contribution Award (Individual) from Banking Industry Development and Research Committee
Award for Outstanding Contribution in Top-100 Bank Election
Financial Institution with Best Social Responsibility Award from China Banking Association
Green Finance Award from China Banking Association

CHINA FOREIGN EXCHANGE TRADING CENTRE

Top-100 Trading Bank in Interbank Domestic Currency Market
Outstanding Member in Interbank Domestic Currency Market
Outstanding Trading Supervisor in Interbank Domestic Currency Market
Outstanding Trader
Best Spot Market Maker
Most Standardised Spot Market Maker
Most Standardised Derivative Market Maker
Most Popular Spot Market Maker
Outstanding Trader in Interbank Foreign Currency Market
Outstanding Trading Supervisor in Interbank Foreign Currency Market

CHINA ELECTRONIC COMMERCE ASSOCIATION

"Golden Goblet" Prize for Top-10 Customer Satisfaction E-Finance (E-Payment) Brand
"Golden Goblet" Prize for Outstanding Innovation in Electronic Finance
"Golden Goblet" Prize for Outstanding Contribution

CHINA FINANCIAL CERTIFICATION AUTHORITY
Best Electronic Bank Award

CHINA UNIONPAY
Collaboration and Innovation Award
Outstanding Interbank Trading Quality Award

CHINA FOUNDATION FOR DISABLED PERSONS
Crystal Award of China Foundation for Disabled Persons

INTERNATIONAL FINANCIAL PLANNING STANDARDS BOARD (CHINA)
Top-100 Best Financial Planner in China
Outstanding Financial Planner in China

GLOBAL ENTREPRENEUR MAGAZINE
Most Wealth Management Products Brand (Chinese-owned)

THE ASSET (CHINA)
Triple A Awards 2011 — Best in Treasury and Working Capital (Small to Medium Enterprise)
Best Cash Management Bank
Best Domestic Securitisation Deal Award

THE BANKER (CHINA)
Top-10 Financial Product Innovation Award
Best Research Capability Commercial Bank
The Third Prize for Competitiveness of National Commercial Bank
The Eighth Prize in Financial Evaluation

THE BANKER (UK)
No. 30 in Top-50 Global Commercial Banks

FORTUNE (US)
No. 326 in Fortune 500

GLOBAL FINANCE
Best Supply Chain Finance Award

INTERNATIONAL FINANCING REVIEW (GLOBAL)
Asia-Pacific Annual Best Securitisation Transaction Award

INTERNATIONAL FINANCING REVIEW (ASIA)
Best Securitisation Deal Award

CFO WORLD
Best Supply Chain Finance Award
Best Investment Banking Practice Award
Most Innovative Cash Management Award

Chairman's Statement

The year 2012 marked the nexus of China's "12th Five-Year Plan". Under the leadership of the Central Government, Chinese economy maintained growth stability. The banking industry actively supported the development of the real economy, by accelerating the economic transformation, reform and innovation. As a result, the total assets maintained steady growth, the risk management capability was further strengthened, and operating efficiency continually improved. In this extraordinary year, with concerted efforts of its management and employees, the Bank resolutely followed the central government's keynote target of "steady growth" and economic and financial policies, the "BoCom Strategy", its "Second Round of Reform", and improved the innovation capability and service quality, with excellent quality and efficiency as well as stable growth achieved across all business lines.

As at the end of 2012, the Group's total assets and net profit reached RMB5,270 billion and RMB58.373 billion, representing an increase of 14.36% and 15.05% respectively from the beginning of the year. Average return on assets (ROAA) and average return on shareholders' equity (ROAE) stood at 1.18% and 17.91% respectively. The impaired loans ratio was 0.92%. The Bank has been listed among Fortune 500 for four consecutive years and its rank in terms of operating income ascended to No. 326. In addition, the Bank ranked No. 30 in terms of tier-one capital among the "Top 1000 Global Banks 2012" published by "The Banker", and its credit rating was upgraded to "A" category by all the three major international credit rating agencies, namely, Standard & Poor's, Fitch, and Moody's.

We fully understand that the above excellent performance is attributable to the steady growth of China's economy, the effective macroeconomic control policy and financial supervision by regulators, as well as the great support from our shareholders, customers and the communities we serve. On behalf of the Bank, I would like to express my sincere appreciation.

IMPLEMENTATION OF THE "BOCOM STRATEGY"

Five years ago, the Bank established its development strategy of becoming "a first class listed universal banking group focusing on international expansion and specialising in wealth management" ("BoCom Strategy") as the new goals and directions after the centennial. Over the past five years, the Bank continually improved the strategic management system, enhanced the capability of strategy implementation, and achieved excellent results:

— The pace of internationalisation accelerated, and the global financial services were further improved. As a result of our strategy in "building an Asia-Pacific focused overseas network extended to Europe and America", an international organisation network has been formed. As at the end of 2012, the number of overseas institutions reached 12, the proportion of their assets increased by 0.47 percentage point from the beginning of the year to 7.67%; and the proportion of their net profit increased by 1.04 percentage points as compared with the prior year to 4.50%, leading the pace of the Group's development. Proactively seizing the opportunities brought by Chinese enterprises' "Going Global" initiatives and the RMB internationalisation, the Bank accelerated the growth of cross-border RMB business and further enhanced the business synergy between domestic and overseas branches. In addition, our strategic cooperation with HSBC evolved based on the sharing of the two bank's strengths.

— The synergies within the Group continued to be presented, and the universal operations started to be rewarding. While the Group's banking business grew healthily and steadily, all the subsidiaries showed favourable momentum. As at the end of 2012, 6 non-bank subsidiaries' total assets increased by 43.97% from the beginning of the year, accounted for 1.58% of that of the Group. Subsidiaries contributed 2.18% to the Group's net profit in 2012. The Group's universal financial service and risk management capability were further enhanced, with the continued improvement in the subsidiaries' corporate governance and compliance operation.

— The business focus of our wealth management services gradually recognised by the market, the differentiated competitive advantages starting to emerge. The core service brands such as "OTO Fortune", "Win to Fortune" and "BOCOM Fortune" have been widely recognised by the rising number of middle-and-high-end customers. The Group was rewarded several major awards including the "Best Supply Chain Finance Bank", the "Best China Private Wealth Management Bank", the "Best China Cash Management Bank" and so on. The concept of "One BoCom, One Customer" was integrated into the whole process of product development and services, effectively meeting diversified, personalised, innovative wealth management demands of customers.

A determined goal is the starting point of all achievements. Since the implementation of the "BoCom Strategy", the Group's cross-border, cross-industry, and integrated operation capabilities have been significantly improved and its business collaboration and synergy development have become a significant competitive advantage. We believe, the "BoCom Strategy" will continue to lead the pace of the Bank's development.

SUPPORTING THE REAL ECONOMY

The banking industry would achieve the real "growth stability" only if it serves the real economy, participates in the development of national economy, and connects with customers in various industries. During the year of 2012, the Bank conscientiously implemented the State's macroeconomic control policy, actively responded to the transformation of the economic development pattern and the industrial restructuring and upgrading. Through the proper adjustment to the lending structure and loan extension pace, and the optimisation of the allocation mechanism of its existing and incremental credit resources, the Bank is able to provide more solid and efficient financial services to the real economy.

We actively responded to the national strategy of coordinated regional development, by increasing support to areas such as the strategic emerging industries, productive service industries, energy conservation and environmental protection projects, modern agriculture and public welfare, actively resolved the financing difficulties of small and micro enterprises, enhanced the credit monitoring and achieved loan reduction in heavily-polluting, highly-energy-consuming and over-capacity sectors and other imminent collapsing industries, supported the merger and acquisition and restructuring in overcapacity industries, and optimised the credit structure along with adjusting according to the "3-increase-3-decrease" policy.

As at the end of 2012, the Bank's share of loans made to Central and Western China areas increased by 0.41 percentage point from the beginning of the year, and the proportion of small and medium enterprises' loans increased by 1.65 percentage points, while both the balance and share of loans extended to heavily-polluting, highly-energy-consuming and over-capacity sectors decreased by RMB2.46 billion from the beginning of the year and decreased by 0.50 percentage point in proportion as compared with the beginning of the year, achieving double reduction in loan amounts and loan proportion.

ID-DEPTH EXECUTION OF THE "SECOND ROUND OF REFORM"

Looking head, the reform of the Bank will be confronted with three urgent tasks. First, the Bank will need to maintain a steady growth pace and uphold its existing industrial position in an ever changing operating environment. Second, the Bank will need to accelerate its pace of transformation to meet the demands of future market competition as its traditional operation model faces great challenges. Third, the Bank will need to strengthen its capacity of innovative services to enhance its unique development in an environment of intensive industry competition.

There is an old saying in China that "change leads to solution rather than obstruction; change leads to prosperity rather than recession; change leads to renascence rather than fall". Different from the "First Round of Reform" driven by the conversion to a shareholding bank, the "Second Round of Reform", which was officially initiated in 2011, primarily focused on the dual advantages of management innovation, reshaping its strength as a large scale but flexible policy and internal transformation development. The emphasis of reform turns from system optimisation to mechanism innovation.

The Bank has recognised that strengthening the core competitiveness through releasing management vitality and deepening operational reform is the solution to addressing to the challenges and for the Bank's future development. In 2012, the "Year of Reform" of the Bank, we focused on reform in certain key aspects, such as performance assessment and management, the structure of front office, operational process, products innovation and authorisation management. Through relentless efforts, we have achieved periodical progress in the "Second Round of Reform", such as the successful establishment of sector management model, more rational and competitive incentive evaluation mechanism, better-positioned service network, the preliminary establishment of "Trinity" operation pattern, the successful initiation of "531" project in certain branches and the Banking Department at the Head Office, and the preliminary establishment of an IT system based on intensive management.

ACCELERATING BUSINESS TRANSFORMATION

The Chinese banking industry is facing many challenges, such as China's economy slow-down, the substantial initiation of interest rate deregulation, the emergence of certain regional and industrial risks and the acceleration of financial disintermediation. Meanwhile, the regulators put forward stringent regulatory requirements towards the business growth, capital adequacy and risk management of commercial banks.

Confronting multiple challenges, the Bank proactively took the path of development driven by innovation and business transformation so as to seek growth via structural optimasation, improve competitiveness via growth and enhance growth vitality via innovation, and successfully developed new profit sources such as the financial market, custody services and offshore business. In 2012, the Bank actively conducted innovative business activities in financial market with a higher profit margin in non-credit asset business compared with other banks. The Bank also enjoyed a rapid growth in asset custody service. The scale of asset custody increased by 78.98% from the beginning of the year to RMB1,500 billion, among which the scale of pension custody exceeded RMB500 billion, making the Bank the largest pension management bank in China. In terms of indicators of offshore business such as total assets, total profit, lending balance and international settlement volume, the Bank all ranked the top in the banking industry in China. In the future, the Bank will accelerate its management transformation, continue to optimise its asset structure, business structure and income structure, and realise low-capital consumption and low-cost operation, and further upgrade the quality and efficiency of its growth.

While promoting business development, the Bank attached great importance to its risk management. We formulated and implemented a new risk management plan, strived to improve the "1+3+2" Risk Management Committee system, optimised credit authorisation process and management, and continuously enhanced the enterprise risk management model. We also actively pushed for the compliance with the new Basel Capital Accord, and introduced and implemented the application of advanced measurement approach such as Internal Rating Based Approach (IRB). We paid close attention to the check on risks of key aspects such as local government financing vehicle (LGFV) Loans, private lending, steel trade and wealth management products, and mitigated potential risks in a timely manner.

As a result of our solid and comprehensive risk management undertakings, the impairment loan ratio was controlled below 1%, standing at 0.92% by the end of 2012. With the support of shareholders at large and the regulators, the Bank successfully completed non-public issuance of A and H shares with RMB56.6 billion capitals raised and core capital adequacy ratio reached 11.24% as at year end, which is among the leading position in the banking industry. The Bank's capacities in growth and risk management were significantly enhanced.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND STAFF

In 2012, the Board of Directors and its committees discharged their duties and carried out their responsibilities in their decision-making and supervisory capacities. All Directors and the Senior Management have diligently fulfiled their responsibilities. Under the leadership of the Board of Directors and Senior Management, the whole staff made concerted efforts and contributed cohesively to the Bank's development, which is fundamental to guarantee our success.

Members of the Board of Directors and Senior Management had undergone a few changes during the year. Mr. Wang Bin resigned as an Executive Director, Executive Vice President of the Bank, and committee member of the Strategy Committee of the Board of Directors due to job-redesignation. Mr. Wang had served the Bank for 12 years with dedication and has made remarkable contribution. At the shareholders' general meeting, Ms. Yu Yali was elected as an Executive Director. Ms. Yu has abundant experience in the banking industry and extraordinary professional skills in accounting and finance. The Board of Directors welcomes her joining. During the year, the Board of Directors also appointed Mr. Shou Meisheng as an Executive Vice President (and Secretary of Disciplinary Committee), Mr. Lv Benxian as the Corporate Business Supervisor. Mr. Shou and Mr. Lv have both served the Bank for over 20 years with profound expertise and outstanding management skills. Their joining has further enhance the Senior Management. In addition, Mr. Dicky Yip resigned as Executive Vice President due to his age. During his term of office as an Executive Vice President of the Bank, which was an arrangement in the strategic cooperation between the Bank and HSBC, Mr. Yip made substantial contribution in developing the Bank's personal financial services.

In 2012, facing grim and complex business environment, President Niu Ximing led the Bank's Senior Management to focus on the main goals to "stablise development, faciliate transformation, control risks, expedite reform, and improve profitability", proactively seized market opportunities, further carried forward innovations in internal management, and succeeded in fulfilling all annual business objectives, which would have been impossible without hard efforts. The Board of Directors and I wish to express our recognition to the achievements.

The Staff are the most valuable assets of the Bank. The Bank has experienced ups and downs in China's centennial finance history and has always been attaching great importance to build and maintain a staff who are creative, cohesive and have strong execution capabilities. By giving full swing to our motto of "enterprising spirit, sense of responsibility, and innovation", we will further enhance the construction of our corporate culture, inspire our staff to be confident, cohesive, ambitious and innovative, and to help the Bank achieve new success in the coming centennial.

OUTLOOK

2008-2012 is the first five-year period after the Bank's Centennial. Over the past five years, China became the world's second largest economy, with remarkable achievements made in financial reform. The strength and competitiveness of China's banking industry were brought to a whole new level, and the Bank was in the best time in history for reform and development.

In 2013, the domestic and overseas economic environment situations will remain complex and ever-changing. The global economy has shifted from a rapid growth period prior to the financial crisis to a period of transformation and adjustment. The financial industry, especially the banking industry, will face great challenges and grim business environment, but will still be in a period of strategic opportunities.

— We will continue to focus on improving our ability to serve real economy, abiding by the nation's macroeconomic control policy, and aligning with our nation's strategy, proactively adjust credit structure, and supporting the nation's economic transformation and industrial restructuring. Leveraging the advantage of the operation of an international and universal bank, we will continue to embrace the key tone of innovation, further enhance our ability to provide cross-border and comprehensive service.

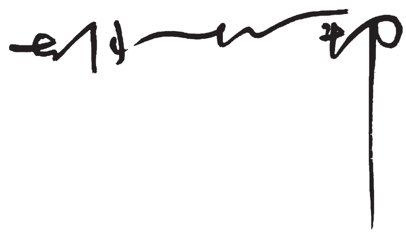
— We will continue to implement the "BoCom Strategy", carry forward the "Second Round of Reform", optimise our business operation strategy, and accelerate the transformation process. We will strive to seize opportunities in emerging markets while giving full swing to our advantages in traditional businesses, further enhance the development capability led by the strategy implementation, expedite the key reform initiatives, innovate the systems and mechanisms, so as to consolidate our competitive advantages.

— We will continue to enhance innovation as a driving force of growth, adding vitality to the Bank's sustained growth. The year of 2013 is the Bank's "Year of Innovation and Development". We will continue to pursue our goal of becoming an "Innovative Bank", by making innovations in development strategy, and further practicing innovative ideas in strategy execution, business line management, profit orientation, and synergic growth. We will further optimise our innovation system in the cross-industry, cross-border and cross-market products and services, in order to meet customers' diversified demands for financial services.

— We will continue to defend our risk bottom line to ensure a safe and stable operation. With our emphasis placed on risk management and internal control, improving the effectiveness of enterprise comprehensive risk management becomes the most important task of our next step. We will build a risk management responsibilities system covering all the employees, the whole business process, and all the aspects of the Bank and implement the risk management responsibility mechanism. We will also continue to strengthen the risk monitoring of key business and key areas, improve our internal control and criminal case prevention mechanism, and strive to maintain the stability in asset quality.

Looking forward, in correspondence with the objective of "building a moderately prosperous society in all respects" — set forth by the 18th CPC National Congress, we will adhere to the target of achieving steady growth and strive to further improve the quality and efficiency of development driven by innovation and via business transformation. I am fully confident that we will continue achieving good performance that can stand the test of the practice, the people and the time, and in the next five years write another splendid page in the Bank's history.

Chairman



President's Statement

Niu Ximing President

In 2012, facing the economic slowdown and the acceleration of interest rate deregulation under the macroeconomic environment in China, the Group moved forward in development transformation, and continued to strengthen management innovation, all business lines developed steadily and healthily. Significant progress was made in areas such as business restructuring, innovative business and infrastructure construction.

STEADY IMPROVEMENTS IN MAJOR FINANCIAL INDICATORS

As at the end of 2012, the Group's total assets increased by 14.36% from the beginning of the year to RMB5,273.379 billion; customers' deposits increased by 13.56% from the beginning of the year to RMB3,728.412 billion; loans and advances to customers increased by 15.05% from the beginning of the year to RMB2,947.299 billion. Net profit for the year increased by 15.05% as compared with the prior year to RMB58.373 billion. ROAA and ROAE decreased by 0.01 percentage point and 2.61 percentage points as compared with the prior year to 1.18% and 17.91% respectively. The ROAE took a relatively large decrease due to an increase in shareholders' equity as a result of non-public issuance. The enhancement of our capital strength will better support the Bank's long-term development, and the Group's ROAE will have sufficient room for increase.

ADVANTAGE WAS GAINED IN CROSS-BORDER AND CROSS-INDUSTRY BUSINESSES

Adhering to the "BoCom Strategy" the Group led transformation and development. The Group continued to improve the operational platform for cross-border and cross-industry businesses, with the successful opening of the Taipei branch. Also with the strategic investment in the Bank of Tibet, it commenced its operation and made profit during the same year. Incentive scheme in performance evaluation was further improved, and the Group enhanced the synergy between banking and non-banking businesses, as well as between domestic and overseas operations. Contributions from international operation and universal banking continued to increase. With respect to overseas branches, the proportion of their assets increased by 0.47 percentage point from the beginning of the year to 7.67%; and the proportion of their net profit increased by 1.04 percentage points as compared with the prior year to 4.50%. Subsidiaries' proportion of assets increased by 0.39 percentage point from the beginning of the year to 1.74% and their proportion of net profit increased by 0.05 percentage point as compared with the prior year to 2.18%.

CUSTOMER STRUCTURE WAS OPTIMISED

Through providing wealth management service, the Group continued to carry forward the construction of service framework which provides segmented service to customers. With rapid growth in the number of middle to high-end customer and continued to improve in customer structure, the Group also expanded its basic customer base. In the corporate business front, the Group continued to operate under the guideline of "build platform, expand channels, focus on system", improved its industry professional business system and service proposal. The number of corporate customers increased by 13.74% from the beginning of the year; the number of middle to high-end customer increased by 53.57% as compared with the prior year. In the individual banking front, the Group proactively developed its businesses such as portfolio financing, individual settlement, and bank card. The number of customers in private banking, OTO, and BOCOM Fortune increased by 26.52%, 22.22% and 22.07% respectively.

CREDIT STRUCTURE BECAME MORE REASONABLE

The Group seized opportunities from nation's macroeconomic policy and economic recovery, continued to adjust its credit structure through management tools such as credit policies guidelines and the indicator of RAROC (risk-adjusted return on capital). The proportion of loans and advances to individual customers, loans to small to medium and micro enterprises, and loans to the central and western regions of China increased by 0.53 percentage point, 1.65 percentage points, and 0.41 percentage point from the beginning of the year respectively. The proportion of loans to real estate industry, loans to government financing platform and loans to "heavily polluting, highly-energy-consuming and over-capacity sectors" decreased by 0.09 percentage point, 2.15 percentage points, and 0.50 percentage point from the beginning of the year respectively. At the same time, the Group took advantage of integrated financing platform through variety of tools such as on-balance-sheet credit authorisation, debt financing, leasing, trust services, offshore financing, and insurance in order to satisfy the need of real economy. In 2012, the financing scale of non-credit business had surpassed that of credit business.

THE HIGHLIGHTS OF OUR INNOVATIVE ACTIVITIES

The Group actively promoted the development of strategic new businesses. International settlement exceeded USD400 billion, and the amounts of cross-border RMB business increased by 49%. The offshore business sustained rapid growth, with key indicators such as the asset size, profits, loan amounts, international settlement volume ranked the top in the banking industry. The scale of assets under custody increased by 78.98% from the beginning of the year to RMB1,500 billion, of which, total pension fund under custody exceeded RMB500 billion, which made the Bank the largest pension management bank in China. The credit card business has become the driving force behind the transformation of retail banking, the number of credit cards (including qusai-credit cards) issued increased by 4.76 million as compared with the beginning of the year and the accumulated amounts of consumption increased by 51% as compared with the prior year, while its credit card promotions called "Red Friday" became a prestigious marketing brand.

THE "TRINITY" SERVICE CHANNEL

The Group has set the goal of "one click leads to full financial services" and provides comprehensive financial service. Therefore, the Group was dedicated to create the "Trinity" service network which integrates "Branch network with Electronic banking and Customer managers". 87 customer service network locations were opened and the total number of service locations reached 2,701, which increased the coverage ratio of service provided at city or county-level to 60.66%. The group newly built 1,590 self-service banks, and the proportion of the self-service bank to customer service network location increased to 0.79:1. The Group continued to promote the innovation of online banking and provide comprehensive services, such as the card-free withdrawal service through mobile phone and the "Intelligent Teller Machine" (iTM), which enabled the Bank to provide full services to customers through remote video control. The number of customers of both mobile banking and online payment passed the ten million mark, with the number and amounts of transactions ranked the second and the third in the market, respectively. The channel diversion rate of e-banking services increased by 6.73 percentage points from the prior year to 73.17%.

SOLID DEVELOPMENT IN IT SYSTEM

After the completion of the data centralisation project in 2006, the Group started to build its new generation IT system called "531" project, which has been fully implemented in Macau and Taipei branches, as well as for the offshore businesses. The integration of domestic business demand has been smoothly conducted in order to establish a solid foundation of the Group's information system framework that features in customer orientation, domestic and oversea integration, and centralised information management.

COMPREHENSIVE RISK MANAGEMENT WAS FURTHER ENHANCED

The Group continued to improve its sophisticated risk management framework, formulated and implemented a new series of risk management projects, and steadily pushed forward the compliance of the New Basel Capital Accord. The Group made further progress in developing a comprehensive credit management system, covering loans, wealth management and investment banking activities. The Group also continued to streamline its business process and inadequacy evaluation based on operational risk events identified. Facing the challenges of economic downturn, the Group actively analysed the market trends and the risks characteristics, and strengthened the key credit risk management and control of key sectors such as steel trading, wealth management, and private lending. Although we experienced economic downturn across the globe, the overall asset quality indicators remained stable. At the end of 2012, the impaired loans ratio only increased by 0.06 percentage point from the beginning of the year to 0.92%, and the provision coverage of impaired loans was 250.68%.

Looking forward into 2013, the interest spread of the banking industry will be dramatically narrowed, and the slow down of profit growth will continue as a norm. It will be difficult to change the current trend of customers' funds flowing from current deposits into wealth management, time deposit and dependent to deposit due to banks. It is our view that the growth rate of intermediary business will be weakened, and the asset quality will experience slight deterioration in the short-term inevitably. At the same time, the economic growth in China will remain stable and the macroeconomics control policy will continue to remain which will bring opportunities to the banking industry, especially in areas of economic transformation upgrading. Therefore, the banking industry in China will be able to maintain stable growth.

We believe that the upcoming period will be a strategic window for commercial banks to achieve transformation and develop competitive edge. The Group will leverage its advantages to transform into an innovative bank in accordance with the "BoCom Strategy", further drive its business growth through innovative activities, and strengthen its competitiveness through building customer-oriented service capabilities:

— Enhance comprehensive service capabilities with cross-border and cross-industry collaboration. The Group will take advantage of the "BoCom Strategy" to accelerate the development of the global wealth management and financial services platform, build efficient global settlement, clearing and financing centres, and by way of different channels to improve the collaboration between credit business with non-banking businesses, such as leasing, trust and investment banking, so as to meet customers' increasing demands. The Group will continue to strengthen features for its wealth management business, integrate the wealth management services into its corporate and retail banking, and enhance the capabilities to provide comprehensive and integrated services to customers.

— The construction of a new generation IT system will lead management innovation. In order to meet customers' demands, the Group will integrate the needs of both its banking services and management, accelerating the integration processes of its business systems and information systems to build a solid foundation for its future platform business on development, risk management and innovative transformation. The Group will set clear direction of "Future Bank", actively explore ways to build an "Intelligent Bank", and using the information technology to break the limitation of customer services brought by branch and regional coverage. Furthermore, the Group will maintain and enhance the advantageous position in its strong market position in the fields of mobile banking and supply chain finance, etc.

— Safeguard stable growth with enterprise comprehensive risk management. Targeting the goals of "full coverage, total process, and accountability", the Group will be dedicated to the full implementation of enterprise comprehensive risk management system at all levels within the organization. With a risk culture characterised as "Process Oriented and Procedure First", the Group will be able to build a multi-dimensional risk prevention and control system that covers "system, personnel and culture".

We are fully aware that the formation of operating characteristics and the creation of competitive edge need persistent efforts. In 2013, we will continue to think big but start from detail, to build a solid foundation for the Bank's development with the spirits of innovation and pragmatic hard-working, and to provide greater returns for our investors!

President

牛锡明

Chairman of the Supervisory Committee

Hua Qingshan
Chairman of the Supervisory Committee

In 2012, aimed at establishing excellent corporate governance, safeguarding Shareholders' interests, supporting scientific development, centreing at financial supervision, focusing on performance of duties and supervision, basing on supervision of operation in compliance with laws and regulations and directing by supervision of comprehensive risk and internal control management, all of the Supervisors executed their duties.

Management Discussion and Analysis

Management Discussion and Analysis

1. MACROECONOMIC AND FINANCIAL ENVIRONMENT

In 2012, although facing the impact of the general global economic slowdown, with the introduction of a series of macroeconomic control policies, Chinese economy stabilised and starting to have a steady growth and economic structure was further optimised.

With respect to global economy with weak recovery sign in 2012, the foundation of recovery remained vulnerable and fragile in 2012. European sovereign debt crisis was not effectively resolved and economic growth of Eurozone remained weak; the US economy growth displayed a relatively stable growth, but its unemployment issue was with limited improvement; facing domestic and overseas pressure, Japanese economy recorded negative growth rate in the third quarter in general and was still at the edge of recession; most emerging economies experienced decline in export and slowdown in economic growth, and were pressured by the policy dilemma of "maintain growth and inflation control"; global commodity price slowly declined in the first half of 2012, but climbed up with fluctuations in the second half by the push of liquidity.

In domestic market, economic growth decreased by 1.4 percentage points as compared with the prior year to 7.8%. Growth rates declined quarter-by-quarter in the first three quarters and recovered in the fourth quarter, with growth rates of four quarters being 8.1%, 7.6%, 7.4%, 7.9%, respectively. The decrease was mainly due to global economic slowdown as well as weak domestic demands. Although economic growth slipped, economic structure was optimised. Consumption contribution to economic exceeded investment, making it the most robust force in driving economic growth. The annual consumer price increased by 2.6%, and inflation pressure was significantly alleviated. Disposable income for urban and rural residents realised a relatively rapid growth.

In domestic monetary environment, monetary policy remained prudent in 2012, and appropriate extent of fine-tuning was conducted when necessary. As at the end of 2012, balance of M2 increased by 13.8% as compared with the prior year to RMB97.4 trillion; RMB-denominated loans increased by RMB8,200 billion or 15% from the beginning of the year, and increased by RMB732 billion as compared with the prior year, and credit structure continued to improve; the scale of financing from the society was enlarged, which increased by RMB2,930 billion as compared with the prior year to RMB15,760 billion, and financing structure was more diversified.

2. BUSINESS REVIEW

(1) Corporate banking business

In 2012, the Bank adhered to the trend of diverse financing, made full use of the internationalisation and comprehensive operational advantages and focused on the development of wealth management, to achieve its objective of "becoming first class provider in corporate banking service sector". The Bank accelerated its transformation of corporate banking business, promoted the comprehensive integration of the traditional banking services such as settlement and financing together with new type of services including investment banking and custodian service, and continued to improve its customer base, service qualities and efficiency, innovation capabilities and comprehensive market competitiveness. As at the end of the Reporting Period, corporate customers' deposit balance of the Group increased by 12.25% from the beginning of the year to RMB2,523.768 billion; loan balance to corporate customers increased by 14.29% from the beginning of the year to RMB2,345.777 billion; the balance of corporate impaired loan increased by 14.08% from the beginning of the year to RMB21.896 billion; the impaired loans ratio decreased by 0.01 percentage point from the beginning of the year to 0.93%. The net fee and commission realised from corporate banking business increased by 7.29% as compared with the prior year to RMB10.647 billion; its profit

before tax increased by 9.72% as compared with the prior year to RMB41.992 billion. As at the end of the Reporting Period, the number of corporate customers increased by 13.74% from the beginning of the year. The "Win to Fortune" brand image further improved and the number of middle-to-high-end corporate wealth management customers increased by 53.57% as compared with the prior year.

1. ***Corporation and institutional business***

   The Bank continued to improve the marketing and service model for large corporations and group customers through the cooperation platform of bank and corporations. The Bank launched various activities such as "Wealth Management Summit for Outstanding Entrepreneurs" and "Win to Fortune Comes to the City" etc. The Bank achieved breakthroughs and expansion in the collaboration process with group customers based on comprehensive cooperation agreements with leading corporations in the industries of energy, non-ferrous metals and trading and logistics. The Bank achieved full coverage of 53 key state-owned corporations and became first class cooperative bank with several large state-owned corporations. The Bank successfully promoted and implemented the online interbank payment system in the trading and logistic industries. In agricultural sector, through the cooperation with large agricultural products trading markets, the Bank introduced intelligent card system, integrated with settlement, member certification, logistics tracking and other services, and further improved its service platform for the trade market. The Bank first introduced "Shipping Payment" services in the shipping industry and assisted to achieve electronic settlement for the shipping corporations. In addition, the Bank adhered to the financial demands that the government and other public agencies served the livelihood and improved administrative efficiency, integrated the innovation of financial services and demands of livelihood, and achieved the coverage of the "self-service hospital" project to over 70 cities across the nation.

2. ***Small, medium and micro enterprises business***

   Aimed at innovating and continuing to strengthen its risk management, the Bank promoted a continuous, fast and healthy development of small, medium and micro enterprises. As at the end of the Reporting Period, loan balance to small, medium and micro enterprises increased by 18.50% from the beginning of the year to RMB1,093.233 billion with the growth, accounting for 44.26% of total growth in loan balance, and increased by 1.65

percentage points of loan balance from the beginning of the year. The Bank introduced feature "OTO Fortune" in OTO service zone. For the government centralised procurement sector, the Bank introduced "Government Procurement — Fast Loan" product and resolved the financing difficulties for small and medium enterprises who won the bid of government procurement projects. In respect of the innovation of small technological enterprises, the Bank released "Technological Financing" product for intellectual property rights and the number of technological small and medium enterprises amounted to 2,726 and the loan balance reached RMB23.266 billion. Supporting trading and logistic corporations with frequent and large volume transactions, the Bank introduced "You Dai Tong" product and launched "Shui Rong Tong" and "Collective Loan in Trade Circle" products for high trade flow small and micro enterprises. In addition, the Bank optimised small enterprises' self-service loan application system with "E-loans Online"; developed "Small Enterprises E-loan", which enabled small enterprises to execute withdrawal and repayment through online banking.

3. *"One Branch Offering Nationwide Service" financial service*

Aimed at serving the financial demands for core enterprises in industry chains and their upstream and downstream enterprises, the Bank introduced the development model of industrial business chain, namely "One Branch Offering Nationwide Service". Based on the industrial business chain, the Bank centred in one of the branches offering the national network to serve key enterprises for all-rounded upstream and downstream service and achieved overall and integrated development for upstream and downstream enterprises as well as terminal users. It had unique advantages including efficient batch processing of business, centralised risk monitoring, close recycle of capital, and relatively high overall return yield. As at the end of the Reporting Period, 10 thousand industry chain networks were built, and the chain enterprises maintained and expanded were over 56 thousand. The Bank was awarded "Best Supply Chain Finance Award" for four consecutive years in 2012 Annual China CFOs' Most Trustworthy Bank Selection. In addition, the Bank was dedicated to the innovation of the supply chain business model and the application of electronic platform, introduced package service and products, including fast bill discounting service, core enterprise's risk bearing, financing pool underlying loans and advances to customers and receivables in the digital supply chain and non-production procurement financial service and so on.

4. *Cash management business*

The Bank continued to develop competitive cash pooling products and cash management service, in return, the number of corporate customers in cash management service increased by nearly 125% from the end of last year, reaching 6,000. The Bank introduced various new cash management products and new functions such as cash pooling of corporate and individual accounts and virtual master accounts to satisfy the cash management demands of the group customers in a timely manner. The Bank conducted customer segmentation, accelerated the integration of business such as cash management and settlement, supply chain financing and others, and strengthened the interaction between corporate banking and personal banking, in order to enhance the ability of providing a one-stop comprehensive treasury and working capital management service. The Bank introduced "Fast and Easy Receipts" collection services for retail, chain and logistic services industries, provided products and services such as interbank cash management platform and trans-regional and interbank collection business to government institution customers, conducted comprehensive RMB and foreign currency services for large-size group finance companies, and launched centralised bills management program for manufacturing industrial customers such as automotive industry. As at the end of the year, the cash management service of the Bank was awarded "Triple A Awards 2011 — Best in Treasury and Working Capital" published by the "The Assets", etc.

5. International settlement and trade financing business

The international settlement and trade financing business continued to be stably improved, the Bank's annual settlement volume increased by 27.84% as compared with the prior year to USD460.195 billion. The amount of international trade financing increased by 77.14% as compared with the prior year to USD23.703 billion. The Bank was awarded "Best Trading Partner Bank" by the Finance Committee of China Banking Association. The Bank was dedicated to provide financial support of national strategic resources imports, including edible oil, crude oil and non-ferrous metals and the balance of annual accumulated import financing reached USD17.954 billion. The Bank also satisfied the capital need of the Companies which were "going global" and balance of external guarantees increased by 41.97% from the beginning of the year to USD21.418 billion. In addition, the Bank accelerated the development of international factoring and credit guarantee financing, facilitated financing services for export enterprises with more convenience and assisted to improve their risk management capabilities. In 2012, with regard to the volume of international double factoring, the Bank ranked No.3 in mainland China among the 25 members of the Factors Chain International (FCI). The Bank's volume of double import factoring ranked No.1 in mainland China.

6. Investment banking business

The Bank accelerated pace of innovation, strictly complied with regulation requirements, expanded its product line and ensured the healthy development of the investment banking business. Income from investment banking business reached RMB5.884 billion during the year, accounting for 24.39% of the Bank's total fee and commission income. The Bank introduced nine categories of financial advisory services including merger and acquisition advisory and "trade matching", as well as nine categories of investment banking wealth management products such as debts bridge financing, of which the services amounted over RMB50.0 billion, and also introduced a basket of dedicated financial advisory service for domestic initial public offering, of which the income from financial advisory services regarding equity financing increased by 6 times as compared with the prior year to almost RMB100 million. The Bank successfully conducted innovation of the merger and acquisition financing services such as buyout fund and provided tailor-made merger and acquisition financing solutions to various customers. The Bank also registered the largest single Asset-backed Note (ABN) in China, and its underwriting services scale continued to be expanded, the commission of which increased by 19.24% as compared with the prior year to RMB0.440 billion. Further, the Bank accomplished the first project after the resuming of securitisation of domestic credit assets among joint-equity commercial banks in China and received "2012 Asia-Pacific Annual Best Securitisation Transaction Award" by the "International Finance Review (Global)" (IFR Global).

7. Asset custody business

The Bank made expansion in capital market, real market, government market, interbank market and overseas market, in order to establish a relatively balanced product structure, customer structure and market structure, and achieved stable growth in assets under custody. As at the end of the Reporting Period, the Group's total assets under custody increased by 78.98% as compared with the end of prior year to RMB1,502.988 billion and became first class bank among stated-owned large-scale custodian banks. The Bank's asset custody business emphasised on pension custody business. Trying to build up a brand of "BoCom, the largest pension custodian bank", the Bank actively entered into insurance pension market and created a pension product line which covered the entire rural-urban social security system. Pension assets under custody exceeded RMB500 billion, making the Bank the largest pension management bank. The Bank also expanded into overseas custody market, built an international custody network, and was among the first banks to set up custody centre in Hong Kong. As at the end of 2012, assets under overseas branches' custody reached RMB69.5 billion. The Bank pushed forward product innovation, and was among the first banks to introduce custody products which were transaction-based, electronic-based, financial leasing-based, and bill-based.

(2) Personal banking business

In 2012, the Group accelerated the transformation of retail business, insisted in focusing on its customers, to improve service as its fundamental strategy, enhanced the customer base and channels' foundation, strengthened product and technical support, and comprehensively built brand competitiveness. Its medium to high-end customers continued to grow, thus supporting the stable development of retail credit business. In addition, key brands, including "Win to Fortune", "OTO Fortune", and "BoCom Wealth Management" were widely recognised in the market with continuous distinctive characteristics of wealth management. During the Reporting Period, the number of personal customers increased by 10.80% from the beginning of the year. The fee and commission income from personal banking business increased by 22.56% as compared with the prior year to RMB8.572 billion. The profit before tax increased by 14.15% as compared with the prior year to RMB8.962 billion. The balance of impaired personal loan increased by 82.63% from the beginning of the year to RMB5.099 billion while its impaired loan ratio increased by 0.30 percentage point from the beginning of the year to 0.85%.

1. Personal deposit and loan

The Bank proactively promoted the personal deposit business and dedicated to increase the personal deposit ratio. As at the end of the Reporting Period, the Group's personal deposit balance increased by 16.40% from the beginning of the year to RMB1,199.663 billion. The proportion of personal deposit increased by 0.79 percentage point from the beginning of the year. The Bank deepened the synergy between corporate business and personal business and continued to improve its rigorous development in wage payment service. As at the end of the Reporting Period, the balance of personal deposit payment service increased by 25.53% from the beginning of the year to RMB314.827 billion. According to the statistical data from the People's Bank of China, the proportion of Bank's balance of personal deposit maintained the same from the beginning of the year to 4.15% among 17 financial institutions.

The Bank adhered to macroeconomic control policy, aimed at stimulating national consumption enhancement and livelihood improvement policy, provided reasonable financial support to the customers, accelerated the innovation of the retail credit business, and expanded the investment in consumer credit loans. The Bank provided differentiated service with regard to personal customer level such as "BoCom E-loan" and "Fast E-loan". In line with the market demands of "Easy Procedure, Fast Approval, Anytime Use, and Convenient Payment", the Bank introduced innovative products such as "E Consumption" and "E-commerce Loan" and provided "Easy Business Loan" which was tailor-made to the business circle. As at the end of the Reporting Period, the Group's personal loan balance increased by 18.11% from the beginning of the year to RMB601.522 billion, and the proportion increased by 0.53 percentage point from the beginning of the year to 20.41%. According to the statistical data from the People's Bank of China, the proportion of Bank's balance of personal consumption loan increased by 0.23 percentage point from the beginning of the year to 5.54% among 17 financial institutions.

2. ***Personal wealth management business***

The Bank continued to perfect the construction of medium to high-end wealth management system and to enrich the diversity of wealth management product line and continued to improve the brand influence. With regard to implementation of the classified customer wealth management plan, the Bank introduced privileged products for OTO customers such as "OTO Capital Appreciation" and "OTO Gold", the customer referral activity "Share Fortune with Friends" and optimised the service platform for capital appreciation. The Bank further standardised the process of wealth management business, enhanced the risk management capabilities, established the Capital Management Business Administration Committee, and continually introduced innovative wealth management products such as "Tiantianli E Daily Edition", "Wentianli", "OTO Tianli-Yuexiang Edition", "Xinxiang Series Wage Payment Edition" etc. The transaction amounts of personal period wealth management products exceeded trillion RMB for two consecutive years. As at the end of the Reporting Period, the asset-under-management

(AUM) balance of domestic branches increased by 13.89% from the beginning of the year to RMB1,714.228 billion. Effective customer accounts of BoCom Wealth Management and OTO Fortune increased by 22.07% and 22.22% from the beginning of the year respectively. OTO Fortune was awarded "Most Wealth Management Products Brand" in "Global Entrepreneur Magazine" 2012 annual innovative bank list.

The Bank made significant progress in its private banking business, with receiving specialised institution opening approval and business license from regulation authority; cross-border comprehensive service covered 37 provincial and direct branches and Hong Kong branch. As at the end of the Reporting Period, the number of private banking customers increased by 26.52% from the beginning of the year. The private banking service received numerous awards including "Best High-Worth Customer Banking Service in China" by magazine "Euro Money", and "Best Private Bank" by magazine "Shanghai Securities News" and so on.

3. *Bank card business*

Credit card business

Focusing on the brand of "International Quality, Benefits Around", the Bank conducted the innovation of product capability, customer service and market discounting promotion, continued to perfect its risk management capabilities, to deepen the channel construction, and to accomplish great enhancement for customer base and assets scale, and significantly improved the market competitiveness. According to customer satisfaction survey by ACNielsen, the general satisfaction rate on the Bank's credit card ranked the first in 2012. As at the end of the Reporting Period, total credit cards issued (including quasi-credit cards) increased by 4.76 million from the beginning of the year to 27.03 million. Accumulated amounts of consumption increased by 51% as compared with the prior year to RMB546.2 billion. The balance of credit card overdraft increased by 61% from the beginning of the year to RMB119.2 billion. Credit card overdraft impairment rate decreased by 0.06 percentage point from the beginning of the year to 1.33%. In addition, the Bank conducted innovative credit services and introduced credit card installment products namely "Eager Lending", of which the transaction amounts increased by 230% to RMB27.0 billion. The Bank also upgraded to new-era "E Credit Card Application" system that obtained the national utility model patent, developed system terminal for intelligent data collection, facilitated the demands for customer's credit card application, and prevented customer information leakage from the source.

Debit card business

The Bank continued to enhance the innovation of pacific bank card business, developed products such as Shanghui Card and Panda Gold Coin Card, further developed and introduced characterised debit cards such as co-branded card, affinity card, and theme card, and continued to expand the product variety of the pacific debit card. As at the end of the Reporting Period, amount of pacific debit card issued increased by 11.04 million from the beginning of the year to 85.85 million; accumulated amounts of consumption increased by RMB107.8 billion as compared with the prior year to RMB470.8 billion. The Bank received awards including "2012 Cross-bank UnionPay Transaction Contribution Award" and "2012 Best UnionPay Card Promotion Award".

(3) Treasury business

In 2012, the Group flexibly responded to the negative impact of the global economic slowdown and market risk effects, continued to strengthen the market forecast, made full use of the geographic advantage of the Shanghai-based Head Office as well as the platform of Shanghai Financial Association, built a world-wide seamless capital exchange network, which consisted of Shanghai, Frankfurt, New York and Sydney as four exchange centres, and carried out the development of various treasury business. In 2012, net interest income from treasury business increased by 31.48% as compared with the prior year to RMB23.637 billion; profit before tax increased by 25.13% as compared with the prior year to RMB23.730 billion.

1. Institutional financial service

The Bank focused on building a cross-industry cross-market institutional financial service platform and innovatively developed interbank financial products and service. The Bank strived to promote interbank collaboration platform, the number of banks with collaboration reached 62, and 11,778 bank outlets were connected. With the successful inception of interbank collaboration forward foreign exchange purchase and sale electronic platform, the Bank became the first bank to introduce this kind of electronic channel. The Bank was awarded "Best Bank for Interbank Collaboration" from "China Times" in its 2012 Golden Cicada Award selection. The Bank deepened its cooperation with securities companies, provided third party depository service for 96 securities companies, covering 96% of securities companies which have brokerage license. The number of customers involved in margin trading and short selling increased by three times from the beginning of the year to 57,622. The Bank enhanced cooperation with futures companies, coordinating with 149 futures companies, and the future margin increased by RMB11.762 billion or 32.44% from the beginning of the year to RMB48.018 billion. Closely collaborated with insurance companies, the Bank actively promoted insurance debts investment plan and bancassurance. In addition, the Bank also initiated innovative cooperation with financial institutions such as trust company, leasing company and financial asset exchange.

2. *Money market transactions*

In 2012, the money market has experienced the seasonal fund shortage in the beginning of the year while abundant funds relaxed from consecutive substantive monetary policy in the first half of the year. The Central Bank injected capital by repurchasing in the open market timely so as to maintain the cost of capital market at a moderate to low level. The Group timely adjusted the transaction strategy, enhanced the product innovation ability and actively seized its market opportunities while guaranteeing its liquidity and improving the profit margins. As at the end of the Reporting Period, the total volume of RMB money market transaction in domestic market increased by 29.90% as compared with the prior year to RMB15,070 billion, of which, lending amounted to RMB12,900 billion and borrowing amounted to RMB2,170 billion; the total volume of foreign currency money market transaction was USD289.6 billion. The Group was awarded "Outstanding Member in Interbank Domestic Currency Market" and "Top 100 Trading Bank in Interbank Domestic Currency Market" by China Foreign Exchange Centre.

3. *Trading account business*

In 2012, the Bank closely monitored domestic and international macroeconomic financial environment, enhanced its research in market trend, and flexibly adjusted the scale and structure of its trading according to the market trend. During the Reporting Period, the transaction volume of domestic interbank RMB-denominated bonds reached RMB5,820 billion; the transaction volume of foreign currency in interbank market was USD520.682 billion, ranking the No. 3 among interbank spot market makers and No. 2 among derivative market makers; the transaction volume of USD/RMB option with customers was USD1.688 billion, and the Bank was ranked No. 2 in the domestic market in terms of volume of option transaction with customers.

4. *Proprietary investment*

In 2012, the trend in the RMB bond market was polarised that the interest-related bond weakened whereas credit-related bond strengthened. As such, the Bank appropriately seized the market trend, reasonably arranged the investment process, and continued to optimise the investment portfolio by increasing investments in high yield bonds such as policy bank bond, local government bond, and high quality credit bond in the RMB bond market, and implemented steady investment strategy and strengthened the risk management in foreign currency bond market. As at the end of the Reporting Period, the bond investment scale of the Group increased by 9.90% from the beginning of the year to RMB876.011 billion; the bond yield increased by 28 basis points as compared with the prior year to 3.75%.

5. ***Precious metal business***

In 2012, the Bank made comprehensive development in multiple business lines, including precious metal proprietary trading, proxy trading, and import and sales of real products. Innovative service was continually introduced, and the product system was gradually improved. During the year, the Bank established the precious metal business centre, and successfully initiated gold lending, gold swap business, and over-the-counter gold trading; started automatic investment plan of gold, gold repurchase, gold account, and silver proprietary trading. The number of gold T+D accounts increased by 247.21% from the beginning of the year; total transaction volume increased by 52.75% as compared with the prior year to RMB58.821 billion; the accumulated transaction volume of proprietary gold trading during the year reached 301.11 tons, maintaining the Bank an active role in the market. During the Reporting Period, the Bank received awards, including “Excellent Member in Shanghai Gold Exchange” and “Shanghai Gold Exchange 2012 Annual Outstanding Price Offering Bank”.

(4) “Trinity” network construction

In 2012, the Group’s “Trinity” network system including “branch network, e-banking and customer manager” was further developed. The network continued to improve and the Group accelerated the development of its productivity. As at the end of the Reporting Period, average deposit of the Group’s network increased by 10.81% from the beginning of the year to RMB1.353 billion. Profits per employee increased by 7.75% as compared with the prior year to RMB606.4 thousand. The proportion and capability of the digital channel continued to be improved. The ratio of self-service bank over branch network increased to 0.79:1. The Bank enriched its top-up and payment service, continued innovation in mobile finance, introduced commercial bank electronic business platform — Jiaobohui, and was the first Bank to start remote smart ATM service mode. Quantity and quality of the Bank’s customer managers continued to improve, while the number of customer managers increased by 16.18% from the beginning of the year to 19,007.

1. Branch network

The construction of the Bank's branch network followed the strategy of "Amount Control, Layout Optimisation, Structure Adjustment, and Transformation Avocation", accelerated the optimisation of the organisation structure, overall capacity and competitiveness, discovered and established the comprehensive network system by mainly focusing on comprehensive flagship operating locations and secondly focusing on traditional basic operating locations, as well as supplemented by characterised and specialised operating locations. The Bank orderly constructed the branch network combined with quality and efficiency, enhanced the development in the Western regions along with the strategy of diversified development, insisted on priority in efficiency and profitability, in order to motivate the enhancement of business activities and structure of the existing branch networks. The Bank promoted the matrix reform at the provincial branch level, optimised business process, enhanced operational efficiency, and established "powerful front office, efficient middle office, and compact back office".

As at the end of the Reporting Period, the amount of domestic operating locations increased by 64 from the beginning of the year to 2,701, of which, 87 were newly opened and 23 were closed due to low productivity; 29 branches were opened during the year, covering 202 cities at or above prefecture level, and the coverage rate of cities above at or prefecture level increased by 8.71 percentage points from the beginning of the year to 60.66%, of which, the coverage rate for Western region reached 35.87%.

2. *E-banking*

The Group aimed to accelerate the innovation of the e-banking, expanded the system into new business sector and mode, adhered to the coordination and balanced development strategy between online banks and entity banks. The Group gradually built an electronic bank network comprising various terminal equipment, focused on improvement in the aspects of mobile finance, e-commerce and remote service, thus promoting as well as supporting all sorts of the development of the Bank. The volume of transactions of e-banking exceeded 1.2 billion with the transaction amount reaching over RMB50,000 billion. The channel diversion rate of e-banking services increased by 6.73 percentage points from the beginning of the year to 73.17%. The Bank was awarded "2012 Best China Electronic Bank Award", "2012 Golden Goblet Prize for Outstanding Innovation in Electronic Finance" etc.

Self-service banking

During the year, the amount of self-service machine increased by 3,566 to more than 20,000 in total and the amount of self-service bank increased by 1,590 to more than 10,000 in total. The transaction volume of the self-service bank increased by 15.58% as compared with the prior year to 0.623 billion and the transaction amount increased by 19% as compared with the prior year to RMB1,030 billion.

Online banking

As at the end of the Reporting Period, the number of online banking corporate customers increased by 36.65% as compared with the end of prior year. The transaction volume of online banking corporates increased by 42.50% as compared with the prior year to 144 million. The number of online banking individual customers increased by 34.73% as compared with the end of prior year. The transaction volume of online banking individuals increased by 37.17% as compared with the prior year to 458 million.

Mobile banking

The Group brought in innovative mobile financial service, took the lead to launch Blackberry Moblie Bank and became the only financial institution that was invited to launch tablet banking services for Windows 8 and Surface across the country. The Group was the first to launch tablet bank that was made to conduct the mode of double screens and main menu and to combine two sectors of “Life Gateway” and “Financial Service”, and to launch several products such as payment by bar code, payment by shaking and mo-card certificate. As at the end of the Reporting Period, the number of the mobile banking customers increased by 80.68% as compared with the end of the prior year. The transaction volume of the mobile banking increased by 403.27% as compared with the prior year to 18.89 million. And the transaction amount of the mobile banking increased by 312.29% as compared with the prior year to RMB543.322 billion.

E-commerce

The Group was among the first banks to launch e-commerce platform of commercial banking among the banks. Through the establishment of “e-mall BOCOM”, the Group built an information platform comprising supply, sale and buy. The e-commerce covered B2B, B2C, banking services, payment and settlement and so on, forming a comprehensive and complete e-commerce service system. In 2012, the “e-mall BOCOM” has attracted more than 5,000 commercial customers with the total deposits approaching approximately RMB50 billion. The number of online payment registered customers increased by 42.99% as compared with the end of the prior year.

Intelligent Teller Machine (iTM)

The Group was the first to introduce the first “Intelligent Teller Machine” (iTM) service. Customers could remotely through one terminal and one internet wire, conduct almost all counter services by themselves or with the help of remote service staff realising remote and real-time communication with clerks and customer managers. iTM created new service models with the characteristics of combining self-service and human assistance, “one-to-one” service resembling counter service and featured with all-day and all-function service. As a “micro branch” integrated with all functions, iTM changed most traditional service model that service must be conducted by clerks, however, it created a new business model featured with low cost, high efficiency and wide coverage. At present, the Group has put iTM in many provinces such as Shanghai, Jiangsu Province, Guangdong Province, Guangxi Province, Shandong Province and Fujian Province. In 2012, iTM was awarded the “Best Product Innovation of Mobile Banks” by the China Online Bank Promotion Association.

3. *Customer manager*

The Group accelerated the construction of the customer manager team; as at the end of 2012, the number of the corporate customer manager increased by 16.34% from the beginning of the year to 8,624 while individual customer manager increased by 16.05% from the beginning of the year to 10,383, of which, the employees who obtained certificate such as AFP, CFP, CPB and EFP were 5,796, 1,158, 16 and 263, respectively.

4. *Customer service*

The Bank adhered to the responsible service principle of “Abiding by its responsibility of serving the thousands of privileged customers; focusing on its responsibility to create the long-lasting business”. The Bank also promoted its management system on service improvement, and strived to improve service capability as well as brand competitiveness. In 2012, in the competition of the “2012 One Thousand Civilised Models Enterprise of Standard Service among Chinese Banking Industry”, the Bank received “Outstanding Contribution Award” and its 88 units were awarded Thousand Model Units. The satisfaction rate of the customer service centre increased by 0.8 percentage point as compared with the end of prior year to 99.65%. The Bank was awarded “Global Call Centre” title by ICMI (International Customer Management Institute) and highest award of “Comprehensive Demonstration Award” by the Second Election of Outstanding Customer Service Centre of the China Banking Association.

(5) International and comprehensive operation

The Group continued to promote the development strategy of "BoCom Strategy", continued to enhance the internationalisation and diversification of the financial service platform, improved the coordination across the world, and consecutively accomplished in the internationalised and comprehensive operation.

1. Internationalisation strategy

In 2012, the Bank continued to promote the Internationalisation Strategy to upgrade the global synergy service capability. As at the end of the Reporting Period, the total assets of overseas bank institutions of the Group increased by 21.92% from the beginning of the year to RMB404.663 billion, accounting for 7.67% of the Group's assets, of which, increased by 0.47 percentage point from the beginning of the year. The net profits of overseas bank institutions increased by 49.49% as compared with the prior year to RMB2.625 billion, accounting for 4.50% of the Group's net profits, which increased by 1.04 percentage points as compared with the prior year. While accelerating the development of the business activities, the Group continued to improve the enterprise risk management system, as well as construct risk firewall both at home and abroad, as a result, the balance of the impaired loans in overseas bank institutions decreased by 15.67% from the beginning of the year to RMB0.269 billion, and the impaired loan ratio decreased by 0.05 percentage point from the beginning of the year to 0.12%.

Overseas bank business

The Taipei Branch was opened for business in July 2012 and became one of the first mainland banks with operation in Taiwan as well as the largest investment made by the mainland into Taiwan so far. As at the end of 2012, the Bank set up 12 branches or subsidiaries in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, London, Sydney, San Francisco and Taipei, with total number of overseas operating locations reaching 55. The Bank newly set up 44 correspondent banks with total number of 1,565 over 144 countries and districts. The internationalised operation network of "building an Asia-Pacific focused overseas network extended to Europe and America" was further improved.

Domestic and overseas coordination business

Surrounding the "Establishment of Two Centres of Shanghai", "Cross-Strait Financial Cooperation" and "Financial Coordination in Guangdong Province, Hong Kong and Macau", the Bank continued to improve its synergy capabilities of cross-border business with competitiveness. In 2012, the transaction amount of the coordination business increased by 116% as compared with the prior year to USD51.320 billion. Combined with the domestic and overseas market conditions, the Bank designed corresponding customised service plans, and launched services such as cross-border settlement agent, financing, clearing, overseas business consulting, with the accumulated number of customers approaching 30 thousand. The Bank also provided financial service for other banks and provided one-stop service of education or travelling abroad for individual customers.

Cross-border RMB transaction

The Bank actively promoted and introduced innovated services and products such as cross-border RMB payment agreement, financing agreement, entrusted foreign exchange etc. The Bank invested additional working capital into the Frankfurt Branch as the first Chinese financial institution conducting RMB cross-border capital outflow. The cross-border RMB transaction services covering regular investment and financing activities and the service system has been expanded from cross-border trade settlement to a system containing six series and 20 cross-border RMB services, including investment and financing, proxy settlement, wealth management, account service and investment banking. The Bank was received the "2012 Hong Kong Outstanding Award for RMB business". As at the end of the Reporting Period, the transaction amount of the cross-border RMB settlement among domestic institutions increased by 49% as compared with the prior year to RMB237.4 billion and the transaction amount of the cross-border RMB settlement among overseas institutions increased by 48% as compared with the prior year to RMB217.6 billion.

The Bank also strengthened electronic establishment through developing cross-border RMB business settlement system to connect and support the establishment of Shanghai global RMB settlement centre. The Bank also took initiatives to develop the cross-border RMB information reporting platform to realise the first bank which had a direct connection to RMB Cross-border Payment Management Information System (RCPMIS). The Bank provided services for foreign institutions to invest in the domestic RMB interbank bond market and provided custody services for RMB Qualified Foreign Institutional Investors (RQFII). In addition, the Bank conducted research on RMB internationalisation and initiated RMB internationalisation index with Renmin University of China.

Offshore financial services

The Group accelerated the innovation and transformation, strengthened the coordination of on-shore and off-shore services, and accomplished new breakthrough for the offshore financial services. As at the end of 2012, the total offshore assets increased by 62.47% from the beginning of the year to USD10.510 billion. The international settlement reached USD124.218 billion. The market share of total assets and loan balance from offshore maintained the first ranking.

2. ***Comprehensive operation***

The Group's comprehensive strategy is based on the objective of enhancing the Group's cross-industry, cross-border operation capability, along with the coordination mode of "Segment+Unit+Subsidiary", driven by business innovation and management innovation. The Group upgraded the three capabilities of the subsidiaries in development, coordination and competition, to build three characteristics of flow business, shipping finance and wealth management, and adhered to the connotative and intensively comprehensive operation path and forge up comprehensive operational advantages of the Group. As at the end of the Reporting Period, the total amount of assets of wholly-owned subsidiary (excluding Bank of Communications (UK) Co., Ltd) increased 46.88% from the beginning of the year to RMB91.590 billion, attributing RMB1.274 billion to the Parent, an increase of 17.96% as compared with the prior year.

The Bank continued to deepen the cross-industry coordination to enrich the Group's product lines continuously. Bocom International Trust developed various products for the Group's customers, such as the accounts receivables of domestic trade trust based on letter of credit, trust based on the cooperation among banks, securities and trust, open TOT trust targeting on auto finance, mergers and acquisitions fund trust, and trust investing in directional asset management plan. Bocom Leasing fully utilised the characteristics of its leasing business and complemented the advantages of the commercial banking business with three industries, which are machinery and equipment, public utilities, as well as aviation and shipping. Bocom Schroder launched the "Tian Tian Li" series products with the Group. The guarantee plan "BoCom An Dai" launched by Bocom Insurance had provided risk guarantee for RMB8.4 billion loans. Bocom International cooperated with the Group to provide one-stop service for Hong Kong Initial Public Offering.

Subsidiaries' professional business features were further established, and comprehensive operation capability was gradually improved. As at the end of 2012, Bocom International Trust's outstanding trust fund balance increased by 111% as compared with the end of the prior year to RMB156.405 billion; the trust compensation rate and the ratio of impaired proprietary assets both remained zero, and Bocom International Trust was awarded "Outstanding Trust Company by financial industry". Bocom Leasing fully utilised the advantages of the coordination of the Bank and leasing and targeted its business on five major industries, which were machinery and equipment, public utilities, resource equipment, aviation, and shipping. As at the end of the Reporting Period, the total asset balance of leasing activities increased by 54% from the beginning of the year to RMB69.408 billion, of which direct lease accounted for 34.47%, and Bocom Leasing was ranked the first among the first five bank-owned leasing companies. The case of "Ship Leasing in the Domestic Free Trade Zone" was awarded "2012 China Financial Innovation Award" by the "The Banker (China)". Funds under Bocom Schroder achieved rate of yearly return of over 11% in 2012, ranking the third in the industry. The investment abilities of equity and debts both ranked the top five in the industry. Volume of specific accounts reached RMB2.243 billion as the end of 2012. Rural banks achieved substantial growth in their business scale, and their capability of providing rural financial service was significantly strengthened. As at the end of the Reporting Period, the Bank had established 4 rural banks; the four banks' total assets increased by 87.30% from the beginning of the year to RMB4.025 billion, and net profit increased by 333.17% as compared with the prior year to RMB69.87 million.

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 RMB9.765 billion or 14.92% as compared with the prior year to RMB75.216 billion. Profit before tax was derived mainly from net interest income, and net fees and commission income.

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

	(in millions of RMB)	
	2012	2011
Net interest income	**120,126**	103,493
Net fee and commission income	**20,882**	18,657
Impairment losses on loans and advances to customers	**(14,537)**	(12,479)
Profit before tax	**75,216**	65,451

2. *Net interest income*

During the Reporting Period, the Group's net interest income increased by RMB16.633 billion as compared with the prior year to RMB120.126 billion. This accounted for 81.06% of the Group's net operating income and was a major component of the Group's operating income.

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

(in millions of RMB unless otherwise stated)

	For the twelve months ended 31 December 2012			For the twelve months ended 31 December 2011		
	Average balance	**Interest income/ (expense)**	**Average yield/(cost) ratio (%)**	Average balance	Interest income/ (expense)	Average yield/(cost) ratio (%)
ASSETS						
Balances with central banks	**721,792**	**11,294**	**1.56**	602,978	9,336	1.55
Due from banks and other financial institutions	**366,443**	**12,671**	**3.46**	208,271	7,092	3.41
Loans and advances to customers and receivables	**2,834,468**	**185,821**	**6.56**	2,422,962	148,054	6.11
Of which:						
Corporate loans and receivables	**2,161,691**	**140,436**	**6.50**	1,896,631	115,072	6.07
Individual loans	**511,040**	**36,178**	**7.08**	435,659	27,040	6.21
Discount bills	**161,737**	**9,207**	**5.69**	90,672	5,942	6.55
Investment securities	**821,064**	**30,810**	**3.75**	787,230	27,282	3.47
Total interest-bearing assets	**4,638,428[3]**	**236,717[3]**	**5.10**	3,971,900[3]	189,800[3]	4.78
Total non-interest-bearing assets	**189,456**			174,948		
TOTAL ASSETS	**4,827,884[3]**			4,146,848[3]		
Liabilities and Shareholders' Equity						
Due to customers	**3,321,407**	**72,731**	**2.19**	2,929,032	54,396	1.86
Of which						
Corporate deposits	**2,273,035**	**50,403**	**2.22**	2,032,440	38,649	1.90
Individual deposits	**1,048,372**	**22,328**	**2.13**	896,592	15,747	1.76
Due to banks and other financial institutions	**1,062,522**	**44,158**	**4.16**	834,421	31,449	3.77
Debt securities issued and others	**92,348**	**3,581**	**3.88**	70,989	2,426	3.42
Total interest-bearing liabilities	**4,370,938[3]**	**116,591[3]**	**2.67**	3,784,901[3]	86,307[3]	2.28
Shareholders' equity and non-interest bearing liabilities	**456,946**			361,947		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,827,884[3]**			4,146,848[3]		
Net interest income		**120,126**			103,493	
Net interest spread[1]			**2.43[3]**			2.50[3]
Net interest margin[2]			**2.59[3]**			2.61[3]
Net interest spread[1]			**2.50[4]**			2.57[4]
Net interest margin[2]			**2.66[4]**			2.68[4]

Notes:

1. This represents the difference between the average yield on total average interest-bearing assets and the average cost of total average interest-bearing liabilities.
2. The ratio represents the 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 16.07% as compared with the prior year. Under the impact of two consecutive asymmetric reduction of interest rate by the People's Bank of China, the net interest spread and net interest margin decreased by 7 basis points and 2 basis points as compared with the prior year to 2.43% and 2.59% respectively.

The table below illustrates the impact of changes in amount and interest rates on the Group's interest income and interest expenses. 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 2012 and 2011 Increase/(decrease) due to		
	Balance	Interest rate	Net increase/ (decrease)
Interest-bearing assets			
Balances with central banks	1,842	116	1,958
Due from banks and other financial institutions	5,394	185	5,579
Loans and advances to customers and receivables	25,143	12,624	37,767
Investment securities	1,174	2,354	3,528
Changes in interest income	33,553	15,279	48,832
Interest-bearing liabilities			
Due to customers	7,298	11,037	18,335
Due to banks and other financial institutions	8,599	4,110	12,709
Debt securities issued and others	730	425	1,155
Changes in interest expense	16,627	15,572	32,199
Changes in net interest income	16,926	(293)	16,633

During the Reporting Period, the Group's net interest income increased by RMB16.633 billion as compared with the prior year, of which, the increase of RMB16.926 billion was due to changes in the average balances of interest-bearing assets and interest-bearing liabilities. While the decrease of RMB0.293 billion in the Group's interest income was due to the changes in the average rate of return and average cost ratio.

① **Interest income**

During the Reporting Period, the Group's gross interest income increased by RMB48.832 billion or 25.46% as compared with the prior year to RMB240.596 billion.

A. Interest income from loans and advances to customers and receivables

Interest income from loans and advances to customers and receivables contributed the most to the Group's interest income. During the Reporting Period, interest income from loans and advances to customers and receivables increased by RMB37.767 billion or 25.51% as compared with the prior year, to RMB185.821 billion, largely due to the increase in loans and advances to customers and receivables, as well as the average lending rates of return.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB3.528 billion or 12.93% as compared with the prior year to RMB30.810 billion. The Group continuously improved its bond-investment structure allocation and, in turn, the return on investment securities increased by 28 basis points as compared with the prior year.

C. Interest income from balances with central banks

Balances with central banks mainly include statutory reserves and excess reserves. During the Reporting Period, interest income from balances with central banks increased by RMB1.958 billion or 20.97% as compared with the prior year to RMB11.294 billion, largely due to the increase in due to customers which brought to an increase of 19.70% as compared with the prior year in average cash and balances with central banks.

D. Interest income from balance due from banks and other financial institutions

Total interest income due from banks and other financial institutions increased by RMB5.579 billion or 78.67% as compared with the prior year to RMB12.671 billion. This was mainly driven by the significant increase of trading volume of the Group in the interbank market, the average outstanding balance of which increased by 75.95% as compared with the prior year.

② **Interest expense**

During the Reporting Period, the Group's interest expense increased by RMB32.199 billion or 36.48% as compared with the prior year to RMB120.470 billion.

A. Interest expense on balances due to customers

Due to customers was the Group's main source of funding. During the Reporting Period, interest expense on due to customers increased by RMB18.335 billion or 33.71% as compared with the prior year to RMB72.731 billion. This accounted for 60.37% of total interest expense. The increase in interest expense on customer deposit was mainly due to the increase in the average balance of due to customers by 13.40% as compared with the prior year as well as the increase in cost ratio of customer deposit under the impact of interest rates deregulation.

B. Interest expense on balances due to banks and other financial institutions

During the Reporting Period, interest expense on balances due to banks and other financial institutions increased by RMB12.709 billion or 40.41% as compared with the prior year to RMB44.158 billion. This was mainly due to an increase of 27.34% in average balances due to banks and other financial institutions as compared with the prior year. At the same time, the cost ratio due to banks and other financial institutions increased as compared with the prior year due to the impacts of interest rates deregulation.

C. Interest expense on debt securities issued and others

During the Reporting Period, interest expense on debt securities issued and other interest-bearing liabilities increased by RMB1.155 billion or 47.61% as compared with the prior year to RMB3.581 billion. The average cost of debts issuance increased by 46 basis points as compared with the prior year.

3. ***Net fee and commission income***

Net fee and commission income was a major component of the Group's net operating income. During the Reporting Period, the Group continuously accelerated the transformation of its profit-making model which made the revenue sources became more diversified. During the Reporting Period, the Group's net fee and commission income increased by RMB2.225 billion or 11.93% as compared with the prior year to RMB20.882 billion. Guarantee and commitment business, credit cards, settlement services etc. 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)
	2012	2011
Settlement service	**2,368**	2,053
Bank card	**7,958**	6,183
Investment banking	**5,884**	6,276
Guarantee and commitment	**2,731**	1,894
Management service	**3,321**	3,170
Agency service	**1,411**	1,611
Others	**453**	385
Total fee and commission income	**24,126**	21,572
Less: Fee and commission expense	**(3,244)**	(2,915)
Net fee and commission income	**20,882**	18,657

Fee income on settlement services increased by RMB0.315 billion or 15.34% as compared with the prior year to RMB2.368 billion. The increase was mainly due to the increase of volume of trading-settlement.

Fee income on bank card increased by RMB1.775 billion or 28.71% as compared with the prior year to RMB7.958 billion. The increase was mainly due to the increase in card issuance and spending as well as higher transaction volume at self-service machines.

Fee income on investment banking decreased by RMB0.392 billion or 6.25% as compared with the prior year to RMB5.884 billion. The decrease was mainly due to the decreasing advisory services income.

Fee income on guarantee and commitment increased by RMB0.837 billion or 44.19% as compared with the prior year to RMB2.731 billion. The increase was mainly due to the rapid growing business in bank acceptances, letter of credits and factorings.

Fee income on management service increased by RMB0.151 billion or 4.76% as compared with the prior year to RMB3.321 billion. This was mainly driven by the increase in commission income from custodian services and loan syndication.

Fee income on agency service decreased by RMB0.200 billion or 12.41% as compared with the prior year to RMB1.411 billion. The decrease was mainly due to the low volume in fund commission fee caused by sluggish stock market as compared with the prior year.

4. *Operating costs*

The Group continuously strengthened its cost management. During the Reporting Period, the Group's operating cost increased by RMB5.411 billion or 14.28% as compared with the prior year to RMB43.312 billion, 1.68 percentage points lower than the increase in net operating income. The cost-to-income ratio of the Group decreased by 0.34 percentage point as compared with the prior year to 29.85%, representing further enhancement of operating efficiency.

5. *Impairment losses on loans and advances to customers*

During the Reporting Period, the Group's impairment losses on loans and advances to customers increased by RMB2.058 billion as compared with the prior year to RMB14.537 billion. The decrease was comprised of (1) a decrease in collectively assessed allowances by RMB3.301 billion as compared with the prior year to RMB10.075 billion; (2) an increase in individually assessed allowances by RMB5.359 billion as compared with the prior year to RMB4.462 billion, largely due to the increase in impaired loans from the beginning of the year. During the Reporting Period, credit-to-cost ratio was 0.49%, which remained constant from the prior year.

6. Income tax

During the Reporting Period, the Group's income tax expense increased by RMB2.106 billion or 14.39% as compared with the prior year to RMB16.740 billion. The effective tax rate was 22.26%, which was lower than the statutory tax rate of 25%, 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:

		(in millions of RMB)
	2012	2011
Current tax	**21,220**	15,221
Deferred tax	**(4,480)**	(587)

(2) Analysis on major balance sheet items

1. Assets

As at the end of the Reporting Period, the Group's total assets was RMB5,273.379 billion, representing an increase of RMB662.202 billion or 14.36% 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)
	31 December 2012		31 December 2011	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers	**2,879,628**	**54.61**	2,505,385	54.33
Investment securities	**879,301**	**16.67**	799,946	17.35
Cash and balances with central banks	**816,846**	**15.49**	736,999	15.98
Due from banks and other financial institutions	**520,963**	**9.88**	443,240	9.61
Total assets	**5,273,379**		4,611,177	

① **Loans and advances to customers**

During the Reporting Period, the Group reasonably controlled the volume, direction and pace of its credit disbursements policy, which brought balanced and steady increase in loans. As at the end of the Reporting Period, the Group's loans and advances to customers increased by RMB385.549 billion or 15.05% from the beginning of the year to RMB2,947.299 billion, among which the increase in RMB loans from domestic institutions amounted to RMB293.184 billion or 12.88% 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 to customers by industry as of the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2012		31 December 2011	
	Balance	Proportion (%)	Balance	Proportion (%)
Mining	72,000	2.44	51,040	1.99
Manufacturing				
— Petroleum and chemical	113,677	3.86	103,193	4.03
— Electronics	53,813	1.83	52,532	2.05
— Steel, smelting and processing	45,739	1.55	42,547	1.66
— Machinery	106,908	3.63	89,785	3.50
— Textile and clothing	38,758	1.32	34,996	1.37
— Other manufacturing	225,276	7.64	188,906	7.37
Electricity, gas and water production and supply	132,394	4.49	141,316	5.52
Construction	93,246	3.16	80,621	3.15
Transportation, storage and postal service	363,797	12.34	329,566	12.86
Telecommunications, IT services and software	10,080	0.34	10,195	0.40
Wholesale and retail	389,695	13.22	290,874	11.35
Accommodation and catering	23,358	0.79	21,009	0.82
Financial services	23,471	0.80	22,995	0.90
Real estate	179,862	6.10	158,688	6.19
Services	184,211	6.25	160,039	6.25
Water conservancy, environmental and other public utilities	137,343	4.66	151,161	5.90
Education, science, culture and public health	37,596	1.28	32,647	1.27
Others	49,784	1.69	40,136	1.58
Discounted bills	64,769	2.20	50,197	1.96
Total corporate loans	2,345,777	79.59	2,052,443	80.12
Mortgage loans	358,258	12.16	312,897	12.21
Credit card advances	119,212	4.04	74,194	2.90
Medium-term and long-term working capital loans	55,172	1.87	51,060	1.99
Short-term working capital loans	31,672	1.07	37,495	1.46
Car loans	3,514	0.12	5,632	0.22
Others	33,694	1.15	28,029	1.10
Total personal loans	601,522	20.41	509,307	19.88
Gross amount of loans and advances to customers before impairment allowances	2,947,299	100.00	2,561,750	100.00

As at the end of the Reporting Period, the Group's corporate loans increased by RMB293.334 billion or 14.29% from the beginning of the year to RMB2,345.777 billion. In which, the four industries, where loans were concentrated in manufacturing, wholesale and retail, transportation, storage and postal service, and services, collectively accounted for 64.88% of total corporate loans.

As at the end of the Reporting Period, the Group's personal loans increased by RMB92.215 billion or 18.11% from the beginning of the year to RMB601.522 billion. The proportion of personal loans as a percentage to total loans and advances to customers increased by 0.53 percentage point as compared with the end of the prior year to 20.41%.

Loan concentration by borrowers

As at the end of the Reporting Period, the total lending to the largest single customer of the Group accounted for 1.71% of the Group's net capital; total loans made to the top 10 customers accounted for 14.22% of the Group's net capital, which were in compliance with the regulatory requirements.

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

(in millions of RMB unless otherwise stated)

	As at 31 December 2012		
	Type of industry	Loan balance	Percentage of total loans and advance (%)
Customer A	Wholesale and retail	7,799	0.27
Customer B	Transportation, storage and postal service	7,372	0.25
Customer C	Transportation, storage and postal service	7,183	0.24
Customer D	Transportation, storage and postal service	7,051	0.24
Customer E	Transportation, storage and postal service	6,326	0.22
Customer F	Real estate	6,000	0.20
Customer G	Wholesale and retail	5,977	0.20
Customer H	Manufacturing — other manufacturing	5,748	0.20
Customer I	Services	5,728	0.19
Customer J	Manufacturing — other manufacturing	5,666	0.19
Total		**64,850**	**2.20**

Loan concentration by geographical locations

The Group's credit customers were mainly concentrated in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at the end of the Reporting Period, the balance of loans and advances to customers in these three regions accounted for 32.70%, 21.56% and 8.15% respectively of the Group's total loans, increased by 15.99%, 11.66% and 16.04% respectively from the beginning of the year.

Loan quality

Influenced by the decline in asset quality of the small to medium enterprises in Jiangsu and Zhejiang provinces, the impaired loans ratio of the Group increased by 0.06 percentage point from the beginning of the year to 0.92%, the coverage ratio of impaired loans provision decreased by 5.69 percentage points from the beginning of the year to 250.68% as at the end of the Reporting Period.

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)		
	31 December 2012	31 December 2011
Impaired loans	**26,995**	21,986
Loans overdue by more than 90 days	**20,452**	15,228
Percentage of impaired loans to gross amount of loans and advances to customers (%)	**0.92**	0.86

Loan customer structure

As at the end of the Reporting Period, based on the Bank's Internal Rating Based Approach, loans and advances to corporate customers of domestic branches of class 1 to class 8, accounted for 93.77% of total loans and advances to corporate customers and increased by 0.56 percentage point from the beginning of the year; loans and advances to corporate customers of class 9 to class 12 accounted for 3.24% and decreased by 1.24 percentage points from the beginning of the year; loans and advances to corporate customers who were in breach of contracts accounted for 0.95% and decreased by 0.04 percentage point from the beginning of the year.

② **Investment securities**

As at the end of the Reporting Period, the Group's net investment securities increased by RMB79.355 billion or 9.92% from the beginning of the year to RMB879.301 billion. Overall return on investment securities reached a relatively satisfactory level of 3.75%, profiting from the reasonable allocation and continuous optimisation of investment structure.

Distribution of the Group's investment securities

The table below illustrates the distribution of the Group's investment securities by financial asset classification and by type of issuers as of the dates indicated:

— By financial asset classification

				(in millions of RMB unless otherwise stated)
	31 December 2012		31 December 2011	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Financial assets at fair value through profit or loss	**45,683**	**5.20**	42,837	5.35
Investment securities — loans and receivables	**30,395**	**3.46**	28,256	3.53
Investment securities — available-for-sale	**204,608**	**23.27**	184,092	23.01
Investment securities — held-to-maturity	**598,615**	**68.07**	544,761	68.11
Total	**879,301**	**100.00**	799,946	100.00

— By type of issuers

				(in millions of RMB unless otherwise stated)
	31 December 2012		31 December 2011	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Central governments and central banks	**303,472**	**34.51**	288,692	36.09
Public sector entities	**16,534**	**1.88**	14,504	1.81
Banks and other financial institutions	**362,223**	**41.20**	290,583	36.33
Corporate entities	**197,072**	**22.41**	206,167	25.77
Total	**879,301**	**100.00**	799,946	100.00

2. Liabilities

As at the end of the Reporting Period, the Group's total liabilities increased by RMB553.543 billion or 12.76% from the beginning of the year to RMB4,891.932 billion, of which its due to customers increased by RMB445.180 billion from the beginning of the year. This accounted for 76.22% of total liabilities, representing an increase of 0.54 percentage point from the beginning of the year. Balances due to banks and other financial institutions increased by RMB88.490 billion and accounted for 19.28% of total liabilities, which was 0.42 percentage point lower than the beginning of the year.

Due to Customers

Due to customers was the main source of funding for the Group. As at the end of the Reporting Period, the Group's customer deposit balance increased by RMB445.180 billion or 13.56% from the beginning of the year to RMB3,728.412 billion. From the perspective of the Group's customer structure, the proportion of corporate deposits decreased by 0.79 percentage point from the beginning of the year to 67.69%. The proportion of individual deposits to total deposits increased by 0.79 percentage point from the beginning of the year to 32.18%. With respect to terms of deposits, the proportion of demand deposits to total deposits decreased by 3.38 percentage points from the beginning of the year to 45.56%, while the proportion of time deposits increased by 3.38 percentage points from the beginning of the year to 54.31%.

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

		(in millions of RMB)
	31 December 2012	31 December 2011
Corporate deposits	**2,523,768**	2,248,317
Include: Corporate demand deposits	**1,254,248**	1,184,123
Corporate time deposits	**1,269,520**	1,064,194
Individual deposits	**1,199,663**	1,030,605
Include: Individual demand deposits	**444,369**	422,487
Individual time deposits	**755,294**	608,118

(3) Analysis on major statement of cash flows items

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by RMB61.963 billion from the beginning of the year to RMB271.598 billion.

The net cash inflows from operating activities increased by RMB77.750 billion as compared with the prior year to RMB76.604 billion, which was mainly due to the decreased cash outflow of cash and balances with central banks as compared with the prior year.

The net cash outflows from investing activities increased by RMB87.434 billion as compared with the prior year to RMB59.389 billion, which was mainly due to the increase in net cash outflows resulted from the investment securities related activities as compared with the prior year.

The net cash inflows from financing activities increased by RMB17.929 billion as compared with the prior year to RMB44.670 billion, which was mainly due to cash inflow resulted from the non-public issuance of shares.

(4) Segment analysis

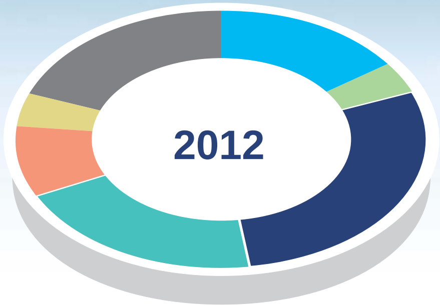
1. Operating results by geographical segments

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)
	2012		2011	
	Profit before tax	**Net operating income[1]**	Profit before tax	Net operating income[1]
Northern China	**11,463**	**20,496**	9,481	20,076
North Eastern China	**2,766**	**6,453**	2,510	6,096
Eastern China[2]	**21,848**	**52,589**	23,330	47,366
Central and Southern China	**14,952**	**27,205**	14,051	23,383
Western China	**6,667**	**12,275**	4,807	10,166
Overseas	**3,226**	**6,265**	2,502	4,402
Head Office	**14,294**	**22,905**	8,770	16,304
Total[3]	**75,216**	**148,188**	65,451	127,793

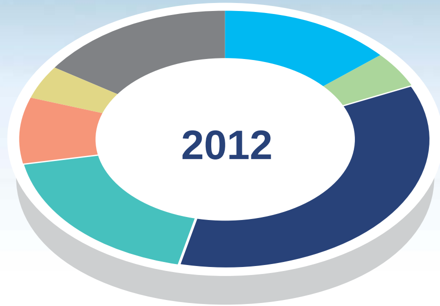
Notes:

1. Includes net interest income, net fee and commission income, dividend income, net gains from trading activities, net gains arising from de-recognition of investment securities, insurance business income, net investment gains/(losses) of an associate and other operating income.
2. Excludes Head Office.
3. Includes non-controlling interests.



Profit before tax (in millions of RMB)

Northern China 11,463
Northern Eastern China 2,766
Eastern China 21,848
Central and Southern China 14,952
Western China 6,667
Overseas 3,226
Head Office 14,294



Net operating income (in millions of RMB)

Northern China 20,496
Northern Eastern China 6,453
Eastern China 52,589
Central and Southern China 27,205
Western China 12,275
Overseas 6,265
Head Office 22,905

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:

				(in millions of RMB)
	31 December 2012		31 December 2011	
	Deposits balance	**Loans and advances balance**	Deposits balance	Loans and advances balance
Northern China	**641,369**	**494,469**	615,680	449,585
North Eastern China	**247,009**	**152,696**	217,617	129,009
Eastern China[Note]	**1,456,617**	**1,129,986**	1,280,206	1,002,609
Central and Southern China	**790,006**	**552,547**	679,097	479,278
Western China	**369,334**	**279,751**	316,843	238,853
Overseas	**222,233**	**215,673**	172,409	186,445
Head Office	**1,844**	**122,177**	1,380	75,971
Total	**3,728,412**	**2,947,299**	3,283,232	2,561,750

Note: Excluding Head Office.

3. *Operating results by business segments*

The Group's four main business segments are: corporate banking business, personal banking business, treasury business and other businesses. The corporate banking segment was the primary source of income for the Group, and accounted for 55.83% of the Group's profit before tax.

The table below illustrates the Group's total external customers and profit before tax from each of the Group's business segments for the periods indicated:

			(in millions of RMB)
	Total income from external customers		**Profit before tax**
	2012	2011	**2012**
Corporate banking business	**107,263**	100,446	**41,992**
Personal banking business	**64,753**	47,677	**8,962**
Treasury business	**96,568**	68,156	**23,730**
Other businesses	**3,318**	2,700	**532**
Total	**271,902**	218,979	**75,216**

4. OTHER FINANCIAL INFORMATION

The relevant information disclosed below is set out in accordance with the requirements of the CSRC.

(1) Fair value measurement related items

The Group established a market risk management system under the responsibility and leadership of the Board of Directors. It also established an internal control framework based on fair value measurement in order to satisfy the relevant internal control and information disclosure requirements. It also gradually and in an orderly manner, improved the systematic management of its market risk by connecting all the relevant front, middle and back office departments and encompassing fair value acquisition, measurement, monitoring and verification. The Group will continue to learn from the experience of its peers and international best practices to further optimise its internal control system in connection with fair value measurement. The Group primarily uses quoted market prices as the fair value of financial instruments traded in active markets. It used valuation models and observable market parameters or comparison to third party quotes which are reviewed by the relevant risk management departments, to determine the fair value of financial instruments that are not traded in active market.

The table below illustrates the fair value measurement related items of the Group in 2012:

(in millions of RMB)

Item	Opening balance	Gains/(losses) on change in fair value for the year	Cumulative fair value gains/(losses) recognised in equity	Impairment losses (accrued)/ reversed for the year	Closing balance
Financial assets includes:					
1. Financial assets at fair value through profit and loss (excluding derivative financial instruments)	42,837	(12)	–	–	45,683
2. Derivative financial instruments	5,585	893	–	–	6,478
3. Investment securities					
– available-for-sale	184,092	–	(1,283)	(328)	204,608
Total financial assets	232,514	881	(1,283)	(328)	256,769
Investment property	196	20	–	–	182
Total	232,710	901	(1,283)	(328)	256,951
Total financial liabilities[Note]	(18,921)	(1,698)	–	–	(23,060)

Note: Only applicable to financial liabilities at fair value through profit or loss.

(2) Holdings in foreign currency denominated financial assets and financial Liabilities

The table below illustrates the foreign currency denominated financial assets and financial liabilities held by the Group in 2012:

(in millions of RMB)

Item	Opening balance	Gains/(losses) on change in fair value for the year	Cumulative fair value gains/(losses) recognised in equity	Impairment losses (accrued)/ reversed for the year	Closing balance
Financial assets includes:					
1. Financial assets at fair value through profit and loss (excluding derivative financial instruments)	8,297	19	–	–	7,730
2. Derivative financial instruments	2,187	(92)	–	–	2,095
3. Loans and receivables[1]	347,786	–	–	(2,805)	540,575
4. Investment securities – available-for-sale	29,067	–	(188)	(313)	39,556
5. Investment securities – held-to-maturity	1,908	–	–	–	1,151
Total of financial assets	389,245	(73)	(188)	(3,118)	591,107
Total of financial liabilities[2]	(380,320)	(1,674)	–	–	(487,646)

Notes:

1. Includes cash and balances with central banks, due from banks and other financial institutions, loans and advances to customers, investment securities-loans and receivables and other financial assets.
2. Includes due to banks and other financial institutions, financial liabilities at fair value through profit or loss, due to customers and other financial liabilities.

5. RISK MANAGEMENT

In 2012, the Bank released and implemented and integration of the third mid-term planning of risk management development — "Plan of Risk Management 2012-2015", which implemented the integration of internal management improvement, external regulatory requirements and "Administrative Measures for the Capital of Commercial Banks (Provisional)". The Bank formulated the mid-term development objective of "Promoting risk management to fully implementation". Over the past year, the Bank implemented risk management programs steadily and achieved great improvements in various aspects, including the overall risk appetite has been performed well, management system has been constantly improved, corporate credit risk control and management has been conducted effectively, the various risk management mechanism has been continuously optimised for various business activities and the advanced methods of capital measurement has been implemented steadily.

(1) Risk appetite

The Bank strictly adhered to its "stability, balance, compliance and innovation" risk appetite. Always insisting on the belief of operation with compliance and dual constraints from external regulation and internal policies, the Bank managed its key risks effectively and rationally, while proactively supported management innovation. Always insisting on its stable and balanced risk management, the Bank pushed forward its risk management standard to a level of international mature market through the support of advance management technology and maintaining a dynamic balance between substantive risk and return in order to achieve the balanced development between business scale, quality and return. The Bank also secured its market position as the fifth largest domestic bank through its risk management enhancement, which effectively supported the Bank's development in growth and business scale.

Based on the above risk appetite, since 2012, the Bank established its risk tolerance and risk-based limits indicators in which the risk tolerance was refined from the four dimensions of income, capital, quality and rating and the risk-based quota indicators were grouped into 6 areas, i.e., credit, market, operation, liquidity, bank account interest, country, etc. The Bank controls overall risk change on a regular basis.

(2) Risk management framework

The Board has the ultimate responsibility and decision-making authority for the Bank's risk management. The Board monitors and controls the bank-wide risk management matters through its delegation to the Risk Management Committee. The Senior Management also established its own "1+3+2" Risk Management Committee. The Committee is dedicated to implementing the Board's risk management strategy and risk appetites, based on "going horizontal to the edges, going vertical to the bottom, covering all aspects", to complete the management system, to optimise the working system, to standardise the management policies, and to perform evaluations on the effectiveness of risk management function in an all-around way. Three special risk management professional sub-committees have been established under the Enterprise Risk Management Committee. They are the Credit Risk Management Committee, Market and Liquidity Risk Management Committee, and Operational Risk Management and Anti-money Laundering Committee. Two business review committees, namely the Loan Credit Review Committee and the High-risk Assets Review Committee have also been established and performed their respective duties. These sub-committees operate under the supervision of the Enterprise Risk Management Committee. All the branches and subsidiaries followed the Head Office to establish simplified committee system. The mechanism of "leadership and execution, guiding and reporting" has been established between Risk Management Committee and other committees, and between committee of the Head Office and committees of branches, in order to standardise, unified and coordinated risk management system, and to ensure risk management requirements was fully implemented. The Chairman of the Board is responsible for risk prevention, the President is responsible for risk management, the Chief Supervisor is responsible for risk supervision, and the Vice Presidents and the Chief Risk Officer share different roles in order to execute the various tasks of risk management.

The Bank has established a rather complete execution system of "large and small middle offices" and dual reporting lines. The setup of a risk management unit is to organise and coordinate the entire Bank's risk management tasks and to report collectively, which consolidate the Bank's risk management capabilities. Small middle offices of every kind of risk, every level of entity and every business took the lead to implement the detailed risk management strategy in order to meet the relevant risk management requirements. Through the establishment of its reporting system of dual lines and the communication and cooperation among large and small middle offices, the Bank has established various solid risk defense lines.

(3) Comprehensive risk management

During the Reporting Period, the Bank continued to enhance its overall capabilities of risk management by further improving operation process of the Group's "1+3+2" Risk Management Committee, strengthening the responsibilities of the head on risk management at all levels of entities, continually upgrading the comprehensive risk assessment and the capabilities of risk prevention, and further substantively enhancing the decision-making and organisation of the Committee.

During the Reporting Period, in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)" and various regulatory assessment advices, together with the new requirement of the New Basel Capital Accord, along with eight years' work experience on risk management establishment and implementation, the Bank further deepened the implementation of the advanced methods of capital measurement, continued to optimise the governance structure, management system and process, and constantly monitored the measurement model and perfected parameter model timely, consolidated the information and data base, strengthened independent assessment and overall examination, and promoted the application of the result from the assessment to overall credit management, market risk management, operational risk management as well as risk control report, stress tests, capital measurement and performance appraisal and so on.

(4) Credit risk management

Departments such as the Corporate Business Department, Retail Credit Department, Credit Management Department and Segment Credit Approval Centre, International Banking Department, Financial Markets Department, Credit Risk Management Department, Asset Custody Department and Credit Card Centre, collectively form the main functional departments that are responsible for the Group's credit risk management. These functional departments are responsible for credit granting guiding, investigation and reporting of credit granting, credit examination and approval, loan disbursement, post-loan monitoring and non-performing loans management in order to standardise the management of corporate, retail financing and international banking.

1. Risk classification procedures and methodology

According to the regulatory requirements as stipulated in the "Guidelines on Risk-Based Loan Classification" issued by the CBRC and the level of risk, the Bank implemented a five credit category system that includes pass, special mention, sub-standard, doubtful and loss, of which, the latter three categories, namely sub-standard, doubtful and loss are regarded as non-performing loan categories, which is based on the judgment on the possibility of repayment on principle and interest in a timely manner. For corporate credit assets, the Bank has relied on the core regulatory definition as a basis and its internal assessment and individual allowances as references to define risk attributes and measurement standards of the five categories in greater detail. The Bank also ensured that sufficient consideration is given to the various factors affecting the quality of credit assets and prudent practices are carried out in risk classification. For retail credit assets (including credit cards), the Bank has adopted a five category system based on the aging of overdue status and type of guarantees provided.

To further enhance the level of details of its credit risk management, the Bank has adopted advanced internal ratings-based approach under the "Administrative Measures for the Capital of Commercial Banks (Provisional)", and established a standard of classification based on the probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). This has enabled the Bank to develop a more detailed internal credit risk assessment process in order to execute internal assessment management on credit business. During the Reporting Period, the Bank standardised comprehensively its internal rating model, unified key definitions of default and loss and long-term probability of default methodology, and applied same standard within the internal rating system.

2. *Risk management and control polices*

During the Reporting Period, the Bank implemented the "BoCom Strategy" and the "Second Round of Reform" strategy, to promote the development of centralised credit management system and to improve credit authorisation process. The Bank insisted on "3-increase-3-decrease" and set specific targets on loan structural adjustment, as such, increasing the proportion in loans made to individual customers, small, medium and micro enterprises, and Central and Western China, while controlling the proportion in loans made to real estate sectors, government financing platform, and "heavily-polluting, highly-energy-consuming and over-capacity sectors". During the Reporting Period, its proportion increased by 0.53 percentage point, 1.65 percentage points and 0.41 percentage point from the beginning of the year to 20.41%, 41.04% and 28.24% respectively. While the Bank strictly monitored the proportion of loans made to real estate, local government financing platforms and "heavily-polluting, highly-energy-consuming and over-capacity sector", during the Reporting Period, the proportion decreased by 2.15 percentage points, 0.09 percentage point and 0.50 percentage point from the beginning of the year to 8.49%, 6.10% and 2.95% respectively.

During the Reporting Period, with enhancement of the standardisation and details of risk control measures, the Bank strengthened the daily monitoring and alert, conducted seasonal analysis on the repayment probability of loans coming overdue, and carried out early risk management and control measures to possible overdue loans. A long-term mechanism for risk management was established to predict and locate potential concerned issues in advance, conducted seasonal rotation investigation and proactively identify risks. The risk investigation range extended to all of the domestic and overseas branches, credit card centres and subsidiaries.

During the Reporting Period, the Bank continuously deepened its post-loan monitoring on retail lending and optimised and applied "Post-loan Monitoring System for Individual Loans" to carry the promotion of "Post-loan Monitoring System for Small Enterprises", and conducted various risk investigation on retail lending and continued to strengthen the risk management capabilities.

During the Reporting Period, the Bank continued to strengthen the risk management on international banking sector, applied stringent the entry requirements for trade financing activities, conducted assessment on trade authenticity and customer's ability to execute contracts, and prohibited any kind of fund access arising from non-genuine trading activities. The Bank adopted a centralised practice of review and approval throughout the whole bank for credit authorisation for financial institutions, with appropriate quota management by the Head Office. Therefore, a completed credit granting system for financial institutions and the quota management was established at the Bank.

The independent credit card centre is fully responsible for the operation and management of the Bank's credit card business. During the Reporting Period, the Bank conducted stringent risk control processes and continued to improve the precision of the risk management, optimised installment product policy and strengthened risk monitoring on installment services, and continuously increased the punishment strength on the credit card fraud, i.e., using of credit card loans to cash out, investing, operating business and conducting other illegal acts.

During the Reporting Period, the Bank proactively explored new ideas and policies to accelerate the resolution of non-performing assets and resolution of potential risks. In order to strengthen assets the overall deployment, the Bank orderly conducted the collection and recovery of the impaired corporate loans. By emphasising on key branches and key projects, the Bank expedited retrival and preservation of non-performing loan. The Bank proactively promoted retrieval management on small enterprise non-performing loans, carried out the payment collection of individual overdue and impaired loans, and resolved the difficulties and issues on clearing and retrieval of the non-credit impaired assets.

3. *Asset quality and migration status*

Affected by the declining quality of small and medium enterprises in Jiangzhe region, as at the end of the Reporting Period, the Group's impaired loan rate increased by 0.06 percentage point from the beginning of the year to 0.92%.

As at 31 December 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 31 December 2012		As at 31 December 2011		As at 31 December 2010	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Pass	**2,851,980**	**96.76**	2,481,585	96.87	2,149,629	96.10
Special mention	**68,324**	**2.32**	58,179	2.27	62,310	2.78
Total performing loan balance	**2,920,304**	**99.08**	2,539,764	99.14	2,211,939	98.88
Sub-standard	**13,269**	**0.46**	9,042	0.35	10,592	0.47
Doubtful	**9,793**	**0.33**	8,450	0.33	9,930	0.45
Loss	**3,933**	**0.13**	4,494	0.18	4,466	0.20
Total non-performing loan balance	**26,995**	**0.92**	21,986	0.86	24,988	1.12
Total	**2,947,299**	**100.00**	2,561,750	100.00	2,236,927	100.00

As at 31 December 2012, the Group's loan migration rates computed in accordance with guidance stipulated by the Chinese banking regulatory authorities are as follows:

Loan migration rates (%)	2012	2011	2010
Pass	**2.00**	1.66	1.60
Special mention	**7.99**	8.34	35.69
Sub-standard	**36.61**	47.86	45.93
Doubtful	**22.63**	24.15	30.11

(5) Market risk management

The main market risks faced by the Bank included interest rate risk and exchange rate risk (including gold).

The Bank implemented a centralised control framework for its market risk management. The Asset Liability Management Department took the lead in the Bank's market risk management, while Financial Markets Department and domestic and overseas branches are the execution units of the Bank's market risk management. The Risk Management Department and the Audit Department are responsible for the independent verification of the market risk management, as well as the internal audit of the Bank.

The Bank established a comprehensive market risk of "large and small middle offices" management system, clarified duties and responsibilities, created complete processes with policies, and equipped with completed system tools. With regard to the interest rate and exchange rate risks of trading book, the Bank established an effective quota and control management system by implementing Value at Risk (VaR) to carry out supervision and manage the quota. With regard to the interest rate risk of the bank accounts, the Bank conducted its monitoring activities via gap analysis and net interest income simulations. In addition, through the control measures, including pricing management and asset allocation, the Bank strived to maximise its rate of return while keeping its risks under control.

1. Risk management and control policies

During the Reporting Period, the Bank continuously improved the policy system of market risk management system. The Board of Directors implemented the "Stress Testing Plan of Market Risk Trading Accounts for 2012". The Bank implemented the stress tests on historical risk scenarios and made hypothetical risk scenarios by adopting the Group's major business risk factors which was established according to the business of the Group.

During the Reporting Period, the Bank successfully implemented the daily automatic collection system of trading data of overseas branches. The Bank conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

2. Market risk analysis

(1) Value at Risk (VaR)

VaR refers to the maximum loss that an investment portfolio may occur at a given confidence level and holding period caused by the changes of the market prices with regard to the interest rate and exchange rate risk. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type of the Group's trading portfolios is as follows:

(in millions of RMB)

Item	31 December 2012	Year ended 31 December 2012 Average	Maximum	Minimum
Interest rate risk	22	15	35	6
Foreign currency risk	85	69	114	12
VaR of trading portfolios	81	66	108	21

(2) Interest rate risk and sensitivity analysis

As at the end of 2012, the Group's assets and liabilities re-pricing date or maturity date (whichever is earlier) is as follows:

(in millions of RMB)

	Due in 1 month	Due between 1 months to 3 months	Due between 3 months to 1 year	Due between 1 year to 5 years	More than 5 years	Non-interest bearing	Total
Total assets	2,418,296	671,060	1,391,569	425,896	230,534	136,024	5,273,379
Total liabilities	(2,691,511)	(513,858)	(889,625)	(626,645)	(41,351)	(128,942)	(4,891,932)
Net exposure	(273,215)	157,202	501,944	(200,749)	189,183	7,082	381,447

The table below illustrates the sensitivity of net interest income and other comprehensive income after a 100 basis points movement in yield rate of all currencies based on the structure of assets and liabilities as at the dates indicated:

(in millions of RMB)

	As at 31 December 2012		As at 31 December 2011	
	Changes in expected net interest income	**Changes in other comprehensive income**	Changes in expected net interest income	Changes in other comprehensive income
+100 basis points parallel shift in all yield curves	**12,730**	**(2,507)**	10,788	(3,017)
-100 basis points parallel shift in all yield curves	**(12,730)**	**2,666**	(10,788)	3,252

(3) Foreign currency risk and sensitivity analysis

The main foreign currency risks faced by the Group are the profits and losses of foreign currency risk exposure resulted from the foreign exchange fluctuation. The foreign currency risk includes transaction risk, economic risk and translation risk.

The Group adopted various methods to manage the foreign currency risk such as quota management and risk hedging. The Group strengthened its supervision and management to foreign currency risk through real-time monitoring of quota execution and daily supervision of the reports such as sensitivity analysis and stress tests.

The Group mainly conducted the majority of its businesses in RMB, whereas the main foreign currency business included US dollar business and HK dollar, and other foreign currency business were relatively minor business. Aiming at foreign currency mainly used by the Group, the assets and liabilities of the Group by the end of 2012 is as follows:

(in millions of RMB)

	RMB	US dollar equivalent to RMB	HK dollar equivalent to RMB	Others equivalent to RMB	Total
Assets					
Cash and balances with central banks	795,978	14,683	1,208	4,977	816,846
Due from banks and other financial institutions	410,374	94,935	9,617	6,037	520,963
Financial assets at fair value through profit or loss	42,336	5,589	2,147	2,089	52,161
Loans and advances to customers	2,540,186	251,843	71,712	15,887	2,879,628
Investment securities – loans and receivables	30,395	–	–	–	30,395
Investment securities – available-for-sale	165,052	20,384	12,249	6,923	204,608
Investment securities – held-to-maturity	597,464	922	41	188	598,615
Other assets	159,615	3,994	5,771	783	170,163
Total assets	4,741,400	392,350	102,745	36,884	5,273,379
Liabilities					
Due to banks and other financial institutions	(805,376)	(121,427)	(5,649)	(10,537)	(942,989)
Financial liabilities at fair value through profit or loss	(4,469)	(11,153)	(6,758)	(680)	(23,060)
Due to customers	(3,410,633)	(180,120)	(114,395)	(23,264)	(3,728,412)
Other liabilities	(183,034)	(8,672)	(3,384)	(2,381)	(197,471)
Total liabilities	(4,403,512)	(321,372)	(130,186)	(36,862)	(4,891,932)

The table below illustrates the impact of the Group's net profit and other comprehensive income after a 5% movement in RMB against USD and HKD based on the structure of assets and liabilities as at the dates indicated:

(in millions of RMB)

	As at 31 December 2012		As at 31 December 2011	
	Changes in net profit/ (loss)	**Changes in other comprehensive income**	Changes in net profit/ (loss)	Changes in other comprehensive income
5% appreciation of RMB	**(1,730)**	**(574)**	(458)	(376)
5% depreciation of RMB	**1,730**	**574**	458	376

(6) Liquidity risk management

The objective of the liquidity risk management is to have sufficient cash to meet the needs of asset growth and repayment of debt upon maturity regardless whether the Group is operating under normal business conditions or under stress. The key measures undertaken by the Bank to manage its liquidity risk include: (1) increasing the proportion of core deposits in liabilities and maintaining stable liability structure; (2) monitoring and managing the bank-wide liquidity positions through a series of indicators and limitations; (3) applying centralised management to monitor the liquidity position of the Bank; (4) maintaining an appropriate level of liquid fund such as surplus reserve with the PBOC, overnight interbank dealings and highly liquid debt investments; at the same time, retaining a strong financing capability in the market place by active participation in the open, money and bond markets; and (5) building a reasonable maturity structure of assets and to reduce liquidity risk through multilevel liquidity combination.

During the Reporting Period, the Bank strengthened the analysis and forecast market trend in the domestic and overseas economic and financial situation, analysed the impact of policy and market changes to the banking industry from a comprehensive aspect, adjusted business and liquidity management strategies, and advanced the perceptiveness of the liquidity management. In preference of prudent liquidity risk appetite, the Bank successfully maintained the short-term capital balance and advanced the capital utilisation efficiency through the currency market and interbank capital transaction. The Bank vigorously adopted the pricing management instrument such as funds transfer pricing (FTP) to promote the coordination between domestic and foreign currency deposits and loans business developments, and maintain the balance of the source and utilisation of domestic and foreign currencies capital. The Bank focused on strengthening the liquidity risk management of overseas branches, the Financial Department of offshore centre and subsidiaries, and preventing the liquidity risk resulted from the rapid growth of assets.

As at 31 December 2012, the Bank's liquidity ratios computed based on the guidelines as stipulated by the Chinese banking regulatory authorities are as follows:

Major regulatory indicators (%)	**As at 31 December 2012**	As at 31 December 2011	As at 31 December 2010
Liquidity ratio (including domestic and foreign currencies)	**37.93**	35.37	32.23
Deposit-to-loan ratio (including domestic and foreign currencies)	**72.71**	71.94	72.10

As at the end of 2012, the term of asset debts and structure matching of the Group is stated in the "Consolidated Financial Statement Note 3.3.3".

(7) Operational risk management

The Risk Management Department is responsible for the overall management of the operational risk of the Bank, as well as the establishment and continuous improvement in the related operational risk management system covering the Bank.

During the Reporting Period, the Bank closely combined on the management experience gained through practice and deeply expanded the application of the three tools for its operational risk, realising a closer combination of operational risk management and operation procedures. By an in-depth analysis of typical events and cases, the Bank revealed the imperfection of operation procedures, rules, systems and employees, which improved the rectification of the operation procedures. The Bank also strengthened the risk indicator management, particularly the monitoring and control of business process control. In addition, the Bank launched an advanced measurement approach of operational risk, and obtained substantial progress in aspects of internal and external data collection and organisation, operation scenario analysis and modeling of advanced measurement approach. In addition, the Bank implemented policies on outsourcing risk management and seamless operation management and steadily carried out its seamless operation management activities.

During the Reporting Period, the Bank continued to strengthen the operational risk management and control of key sectors. The Bank also regulated the management of its loan disbursement centre, adopted the operation manual of loan disbursement business, improved the loan disbursement management model of branches managed by provinces, and conducted the reviews on credit files and credit conditions of loan disbursement centre. The Bank further implemented the information security responsibility system and organised the deep examinations of network and important information system security around the Bank.

(8) Legal compliance and anti-money laundering

During the Reporting Period, the Bank vigorously strengthened the lawsuit management to prevent significant risk and lawsuit losses. The Bank also improved management concerning legal compliance and provided supportive legal services and reviewed comments on the operation and development of the Bank, meeting the requirements of legal compliance.

During the Reporting Period, the Bank continued to deeply carry out its anti-money laundering activities. Through filtering and capturing key suspicious anti-money cross-branch and cross region laundering activities affecting large populations, the Bank actively monitored and reported to its regulatory authorities. The Bank also improved data management of anti-money laundering solutions, optimising the operation procedures. As a result, excellent results of anti-money laundering program were reached and five collectives and nine employees of the Bank were awarded by the People's Bank of China.

(9) Reputational risk management

During the Reporting Period, the Bank published the "Administrative Measures of Reputational Risk of the Bank of Communications", built a comprehensive reputational risk management system, continued to improve the reputational risk management mechanism, strengthened the recognition, investigation and warning of reputational risk cases, actively analysed and reviewed public sentiment, and carefully listened to the opinions from customers and the public, in order to facilitate the control of reputational risk of the Bank.

(10) Cross-border, cross-industry and country risk management

The Bank continued to improve the management system of cross-border, cross-industry and country risk, implemented the quota management and country risk control, conducted quota management to high-risk countries, and regularly assessed the country risk. The Bank also continued to strengthen the risk monitoring and check to overseas branches and subsidiaries, strengthening the controlling power of risk management in the Group.

During the Reporting Period, the Group was not aware of any internal transactions that did not include real translation background or base on market price under the aim at regulatory arbitrage and risk deflection, and may bring negative impact on the prudent operation of the Group.

6. OPERATIONS OF MAJOR SUBSIDIARIES

(1) Bocom Schroder

Bocom Schroder was set up in August 2005 with a registered capital of RMB0.2 billion. It is 65% owned by Bank of Communications Co., Ltd., 30% owned by Schroder Investment Management Limited and 5% owned by China International Marine Containers (Group) Co., Ltd. The business scope includes the business of fund raising, fund sales, asset management, and other services approved by the China Securities Regulatory Commission.

At the end of 2012, Bocom Schroder's total assets was RMB68.142 billion and the average daily business transactions throughout the year remained at about RMB13.927 billion to realise an annual net profit of RMB0.137 billion.

(2) Bocom International Trust

Bocom International was set up in October 2007 with a registered capital of RMB2 billion. It is 85% owned by the Bank and 15% owned by Hubei Province Finance Bureau. The business scope includes an array of trust services; investment and financing, mergers and acquisitions, corporate finance and financial advisory services as a founder of investment fund or fund management company; securities underwriting services entrusted by the State Council; intermediary services, consulting and credit investigation; generation custody business and safe deposit box service, interbank lending and borrowings, loans, leasing, investment based on existing assets; guarantee; interbank lending and borrowings; and other businesses approved by the CSRC.

At the end of 2012, the amount of fiduciary trust managed by Bocom International Trust was RMB156.405 billion, while the amount of AUM reached RMB159.232 billion. The average volume of existing trust plans was RMB117.5 billion, and the annual net profit was RMB0.337 billion.

(3) Bocom Leasing

Bocom Leasing was set up in December 2007 with a registered capital of RMB4 billion. The business scope includes finance leasing business, accepting guaranteed deposit of the lessee, transfer of lease receivables to commercial banks, issuing financial bonds, interbank lending and borrowings, foreign exchange loan, disposal of residual value, business and financial consulting, and other businesses approved by the CBRC.

At the end of 2012, its net profit was RMB0.851 billion, total leasing balance was RMB69.408 billion, and total assets was 70.795 billion.

(4) BoCommLife Insurance

BoCommLife Insurance was set up in January 2010 with a registered capital of RMB1.5 billion. It is 62.5% owned by the Bank and 37.5% owned by The Colonial Mutual Life Assurance Society Limited. The business scope includes life insurance, health insurance, accidental injury insurance and reinsurance businesses (excluding statutory insurance) in the Shanghai administrative region and in the provinces, autonomous regions and municipalities where the branches were set up.

At the end of 2012, BoCommLife Insurance's total assets were RMB3.319 billion and net assets were RMB1.301 billion and its annual net loss was RMB0.064 billion. Total premium income in 2012 was RMB0.721 billion and premium income from new businesses was RMB0.628 billion.

(5) Bocom International

Bocom International was set up in May 2007 with a registered capital of HKD2 billion. It was set up under the business restructuring and integration program of BOCOM International Securities Limited. It has three subsidiaries in Hong Kong, namely BOCOM International (Asia) Limited, BOCOM International Securities Limited and BOCOM International Asset Management Limited. It also established the representative office in Beijing and wholly-owned Bank of Communications International (Shanghai) Equity Investment Management Limited in Shanghai. The business scope includes stock brokerage services, investment banking, asset management and various financial and agency businesses.

At the end of 2012, its total assets were HKD5.838 billion and its total revenue reached HKD0.759 billion, with its annual net loss amounted to HKD0.082 billion for the year resulted from the impairment provision of mark-to-market of the stock.

(6) Bocom Insurance

As a wholly owned subsidiary of the Bank, Bocom Insurance was set up in November 2000 with a registered capital of HKD0.4 billion. The business scope includes general insurance businesses as defined in the Insurance Companies Ordinance, Chapter 41 of the Laws of Hong Kong.

At the end of 2012, Bocom Insurance's net profit amounted to HKD10.80 million for the year, and net assets and total insurance assets were HKD0.500 billion and HKD0.609 billion, respectively.

(7) Anji Bocom Rural Bank

Anji Bocom Rural Bank was set up in April 2010 with a registered capital of RMB0.15 billion, and is 51% owned by the Bank. The business scope includes taking deposits from the general public; short, medium and long-term lending, domestic settlement, bill acceptance and discount, inter-bank lending and borrowings, credit cards and other business approved by the CBRC.

At the end of 2012, its total assets were RMB1.526 billion, total due to customers were RMB1.256 billion, total customer loans were RMB1.268 billion, and its annual net profit reached RMB36.69 million.

(8) Dayi Bocom Rural Bank

Dayi Bocom Rural Bank was set up in September 2008 with a registered capital of RMB0.06 billion and 61% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lending, domestic settlement, bill acceptance and discount, interbank lending and borrowings, credit cards, proxy settlement and vicarious cashing and other businesses approved by the CBRC.

At the end of 2012, its total assets were RMB0.771 billion, total due to customers were RMB0.674 billion, total loans amounted to RMB0.451 billion and its annual net profit reached RMB16.35 million.

(9) Xinjiang Shihezi Bocom Rural Bank

Xinjiang Shihezi Bocom Rural Bank was set up in May 2011 with a registered capital of RMB0.07 billion and is 70% owned by the Bank. The business scope includes taking deposits from general public, short, medium and long-term leading, domestic settlement, bill acceptance and discount, interbank lending and borrowings, credit cards, proxy settlement and vicarious cashing and other businesses approved by the CBRC.

At the end of 2012, its total assets were RMB1.16 billion, total due to customers were RMB0.851 billion, and total customer loans were RMB0.805 billion, and its annual net profit was RMB21.77 million.

(10) Qindao Laoshan Bocom Rural Bank

Qindao Laoshan Bocom Rural Bank was set up in September 2012 with a registered capital of RMB0.15 billion and 51% owned by the Bank. The business scope includes taking deposits from the general public, short, medium and long-term lending, domestic settlement, bill acceptance and discount, interbank lending and borrowings, credit cards, proxy settlement and vicarious cashing and other businesses approved by the CBRC.

At the end of 2012, its total assets were RMB0.568 billion, total due to customers were RMB0.422 billion, total loans amounted to RMB0.222 billion and its annual net loss reached RMB4.94 million.

7. STRATEGIC COOPERATION

In 2012, the Bank continued to improve the strategic cooperation with HSBC, its international strategic investor with the goal of forming a partnership characterised as complementary advantages, win-win, and mutual beneficial, and the Bank achieved positive results.

Seamless communication among the top management. In 2012, under the mechanism of strategic cooperation and communication, top management from both banks maintained close and seamless communications through various ways including top management meetings of President/Executive President, Executive Chairman regular meetings as well as correspondences and telephone conferences where management would discuss the results of cooperation, develop cooperation areas and further explore the potential expansion of cooperative areas.

Further solidification of the equity basis. In August 2012, the Bank completed its non-public issuance of A shares and H shares. As the second largest shareholder, HSBC continued to actively support and participate in the non-public placing by subscribing 2.356 billion H shares at the price of HKD5.63 per share. The total amount of contribution amounted to HKD13.264 billion. As at the end of the Reporting Period, the HSBC held 14.136 billion H shares, representing 19.03% of the total shares.

Exchange of technical expertise. Adhering to the principle of "mutual exchange of resources and expertise", both banks actively promoted all reciprocal and all-rounded technical cooperation and exchange (TCE), with noticeable results achieved.

— Exchange of expertise: HSBC has stationed a total of 4 experts to the Bank to provide guidance in particular areas including Basel Capital Accord internal rating based approach, comprehensive risk management, marketing, and the core curriculum design and implementation, etc.

— Staff training and communication: All the relevant projects were successfully conducted. Both banks conducted effective communication and sharing in aspects of global cash management, private banking, investment banking, documents business, retailing credit, money market and capital liquidity management, public relation management, domestic letter of credit, declaration of international income and expenditure, as well as the disaster-prevention management of important systems.

Further expansion of business cooperation. Both banks have taken full advantage of each other by mutual exchange of resources. They also maintained excellent momentum in cooperation in the aspects of "1+1" key programs of global financial cooperation, corporate banking, investment banking, custodian business, international banking, financial market business, and credit card, as well as actively explored new ways of cooperation.

— Both banks vigorously seized the opportunities on the improvement of China's position in the global economy and RMB internationalisation, focused on promoting the "1+1" key programs of global financial cooperation, as well as striving to provide more effective global financing and cash management services to customers by leveraging the strong customer base and vast network of the Bank in China, along with HSBC's expertise in international business.

— In corporate banking, through joint promotion on key clients, both banks continued to work closely on serving reputable multinational corporations in areas of loan syndication. The server integration project of two banks was under stable operation, which created a good foundation for client promotion with stronger service capabilities on cash management for multinational companies.

— In investment banking, both banks maintained close communication on equity financing, debt financing and asset securitisation. The two banks are also planning to extend their cooperation in areas of RMB bond issuance of foreign-funded enterprises in the domestic market, overseas acquisition by domestic entities in order to take full benefits of each other's strength and to explore the great potential of this emerging business.

— In custodian business, both banks have deepened their cooperation in more aspects, taking advantage of the accelerated development and globalisation of China's capital market. In recent years, cooperation in custodian business has progressed smoothly, mainly in the areas of international bond fund, QFII, QDII, mutual fund, insurance assets, enterprise annuity and RMB financial products.

— In international banking, the Bank and HSBC cooperated largely in areas such as foreign exchange treasury transactions, cross-border RMB business, letters of guarantees, L/C notification, foreign currency settlement and trade financing. Currently, all business cooperation has been carried out in a frequent and smooth manner.

— In financial market business, both banks continued their favourable cooperation in the traditional business fields of lending and borrowings, foreign exchange and currency swaps. Meanwhile, both banks are also exploring new areas of cooperation.

— The development of joint credit card operations of the two banks gained much momentum. Total credit cards (including quasi-credit cards) issued by the end of 2012 increased by 4.76 million from the beginning of the year to 27.03 million. The accumulated consumers' spending increased by 51% as compared with the prior year to RMB546.2 billion.

In the future, both banks will push forward the implementation of TCE program, and enhance the effectiveness of technical cooperation and exchange, in order to take the full benefits of their mutual exchange of resources and expertise. At the meantime, both banks will focus on the "1+1" global financial cooperation program, and reinforce their cooperation in corporate banking, investment banking, custodian business, international banking, financial market business, credit cards and other areas. Combining diversified forms and broadened areas of cooperation together with consolidation of achievements from cooperation, the two banks will be able to comprehensively deepen their relationship in full aspects of business cooperation.

8. OUTLOOK

Looking ahead, the domestic and overseas economic situation is still complex and volatile. The world economy turns into the period of in-depth transformation from rapid growth. In China, the foundation of economy will continue to be impacted by both internal and external factors and remain unstable. Especially to the banking sector in financial industry, the operation environment in 2013 is still severe: the macro-economy is no longer under the era of double-digit growth rate; the declining of profit growth becomes common due to substantial initiation of the interest rate deregulation, more stringent supervision on banking industries, accelerating financial disintermediation, increasingly intensified competition in the industry as well as increasing risk stress. However, the accelerating transformation of economic development method will effectively promote the transformation and development of the financial industry. The advancement of interest rate deregulation will change the traditional growth pattern, thus leading to new financial innovation. The vigorous trend of financial market will promote more space for the coordinating development of various financial institutions.

The Group will focus on the customers, take the "One BoCom, One Customer" as its operation principle, and continuously build upgrade its operational advantages with the focus on the following tasks:

First, the Bank will continue to guide the innovation and transformation by the "BoCom Strategy", to accelerate the distribution of key overseas regional institutions, as well as to expand the domestic and overseas markets. Seizing the favourable opportunity of RMB internationalisation and the improvement of the Bank's global settlement system, the Bank will strive to build a global wealth management platform and global financial service platform.

Second, the Bank will focus on expanding the financing volume and serving the real economy. The Bank will perfect its multi-level credit disbursement policy and credit resources adjustment mechanism on the basis of “3-increase-3-decrease”, to maintain a prudent growth and balanced disbursement of credit.

Third, the Bank will promote the product service innovation and strengthen the diversified competition to maintain and expand its leading position in aspects of mobile finance, offshore finance, supply chain finance and bank-future cooperation. The Bank will also make efforts in mobile banking, cross-border RMB business and the supply chain model of “One Branch Offering Nationwide Service” and let them to be the competitive businesses and products, thus strengthening the development vitality.

Fourth, the Bank will improve comprehensive risk management system to achieve “full coverage” and bottom line protection in its risk management system, while strengthen the risk management of key points, thus maintaining the sound quality of credit assets.

Fifth, the Bank will promote the reform in operation pattern; forge the financial service network of “Trinity” based on IT, thus upgrading the operational efficiency.

Sixth, the Bank will continue to strengthen the cost management and enhance the resources allocation efficiency through apportioning the resources into the key sectors and fundamental areas with core competitive abilities.

Seventh, the Bank will build the integrated business system and information system of the Group, becoming the cornerstone of business development and risk control, and the platform of the innovative transformation.

Eighth, the Bank will continue to upgrade its service quality. Focusing on “upgrading satisfaction of customers”, the Bank will also strengthen the service chain management, optimise the service details, and dedicate to build the best service brand in Chinese banking industry.


交通銀行
BANK OF COMMUNICATIONS

Changes in Share Capital and Substantial Shareholders

1. CHANGES IN SHARE CAPITAL

(1) Changes in Share Capital

	1 January 2012		Changes(+/-) during the Reporting Period					31 December 2012	
	Number of shares	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from the surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
1. Shares subject to sales restrictions	–	–	6,541,810,669	–	–	–	6,541,810,669	6,541,810,669	8.81
1. State-owned shares	–	–	4,407,854,231	–	–	–	4,407,854,231	4,407,854,231	5.94
2. Shares held by state-owned entities	–	–	1,428,571,426	–	–	–	1,428,571,426	1,428,571,426	1.92
3. Shares held by other domestic investors	–	–	705,385,012	–	–	–	705,385,012	705,385,012	0.95
Includes:				–	–	–	–	–	–
Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–	–	–
4. Shares held by foreign investors	–	–	–	–	–	–	–	–	–
Includes:				–	–	–	–	–	–
Shares held by foreign legal persons	–	–	–	–	–	–	–	–	–
Shares held by foreign natural persons	–	–	–	–	–	–	–	–	–
2. Shares not subject to sales restrictions	61,885,605,538	100.00	5,835,310,438	–	–	–	5,835,310,438	67,720,915,976	91.19
1. Renminbi ordinary shares	32,709,053,346	52.85	–	–	–	–	–	32,709,053,346	44.04
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	29,176,552,192	47.15	5,835,310,438	–	–	–	5,835,310,438	35,011,862,630	47.15
4. Others	–	–	–	–	–	–	–	–	–
3. Total	**61,885,605,538**	**100.00**	**12,377,121,107**	–	–	–	**12,377,121,107**	**74,262,726,645**	**100.00**

(2) Notes to Changes in Share Capital

Pursuant to the resolution passed at the Extraordinary General Meeting held on 9 May 2012, the Bank has completed the non-public issuance of a total of 6,541,810,669 new A shares and 5,835,310,438 new H shares, respectively. As at 24 August 2012, the Bank has completed the above non-public issuance of new A shares and H shares under the approval of relevant regulatory authorities. Upon completion of the non-public issuance of shares, the Bank has issued a total of 74,262,726,645 shares, including 39,250,864,015 A shares and 35,011,862,630 H shares. For more details, please refer to the announcements published in China Securities Journal, Shanghai Securities News, Securities Times and on the Shanghai Stock Exchange website (www.sse.com.cn) on 25 August 2012 and 27 August 2012 and on the Hong Kong Stock Exchange website (www.hkexnews.hk) on 24 August 2012 and 26 August 2012, respectively.

2. SHAREHOLDING OF THE TOP 10 SHAREHOLDERS SUBJECT TO SALES RESTRICTIONS AND THE DETAILS OF RESTRICTIONS

According to the shareholders' commitment on the non-public issuance during the Reporting Period, all the A shares subscribed are not allowed to be transferred within 36 months from the date of completion of the issuance. Such shares have a three-year lock-up period since 22 August 2012. As at 31 December 2012, such shares which are subject to sales restrictions are held as follows:

Name of shareholders	Number of shares subject to sales restrictions held	Shareholding percentage of total issued shares subject to sales restrictions (%)	Restriction conditions
Ministry of Finance	2,530,340,780	20.91	Three-year lock-up period
National Council for Social Security Fund	1,877,513,451	15.51	Three-year lock-up period
Ping An Life Insurance Company of China Ltd. – Traditional — High interest rate policy products	705,385,012	5.83	Three-year lock-up period
China FAW Group Corporation	439,560,439	3.63	Three-year lock-up period
Shanghai Haiyan Investment Management Co., Ltd.	439,560,439	3.63	Three-year lock-up period
China National Tobacco Corporation-Zhejiang Branch	329,670,329	2.72	Three-year lock-up period
Yunnan Hongta Group Co., Ltd	219,780,219	1.82	Three-year lock-up period

3. SHAREHOLDINGS OF THE TOP 10 SHAREHOLDERS AND THE TOP 10 SHAREHOLDERS NOT SUBJECT TO SALES RESTRICTIONS (ACCORDING TO THE BANK'S REGISTER OF MEMBERS MAINTAINED AT ITS SHARE REGISTRAR)

The number of shareholders as at 31 December 2012	397,430	The number of shareholders as at the end of the fifth trading day immediately preceding the date of the publication of the 2012 Annual Results	398,282

Shareholdings of the top 10 shareholders

Name of shareholders	Nature of shareholders	Shareholding percentage (%)	Number of shares held	Number of shares held subject to sales restrictions	Number of shares pledged or frozen[1]
Ministry of Finance	State	26.53	19,702,693,828	2,530,340,780	Nil
HKSCC Nominees Limited[2]	Foreign legal person	20.06	14,894,613,801	—	Unknown
The Hongkong and Shanghai Banking Corporation Limited[3]	Foreign legal person	18.70	13,886,417,698	—	Nil
National Council for Social Security Fund[4]	State	4.42	3,283,069,006	1,877,513,451	Unknown
Capital Airports Holding Company	State-owned legal person	1.68	1,246,591,087	—	Unknown
Shanghai Haiyan Investment Management Co., Ltd.	State-owned legal person	1.09	808,145,417	439,560,439	Unknown
Ping An Life Insurance Company of China Ltd. — Traditional — High interest rate policy products	Other domestic entity	0.95	705,385,012	705,385,012	Unknown
China FAW Group Corporation	State-owned legal person	0.89	663,941,711	439,560,439	Unknown
Yunnan Hongta Group Co., Ltd.	State-owned legal person	0.89	658,467,013	219,780,219	Unknown
Luneng Group Co., LTD.	State-owned legal person	0.77	571,078,169	—	Unknown

Shareholding of the top 10 shareholders not subject to sales restrictions

Name of shareholders	Number of shares held not subject to sales restrictions	Class of shares
Ministry of Finance	12,618,353,049	RMB Ordinary Shares
	4,553,999,999	Overseas-listed Foreign Shares
HKSCC Nominees Limited	14,894,613,801	Overseas-listed Foreign Shares
The Hongkong and Shanghai Banking Corporation Limited	13,886,417,698	Overseas-listed Foreign Shares
Capital Airports Holding Company	1,246,591,087	RMB Ordinary Shares
Luneng Group Co., LTD.	571,078,169	RMB Ordinary Shares
Yunnan Hongta Group Co., Ltd.	438,686,794	RMB Ordinary Shares
Sinopec Finance CO., LTD.	374,901,733	RMB Ordinary Shares
Shanghai Haiyan Investment Management Co., Ltd	368,584,978	RMB Ordinary Shares
Aviation Industry Corporation of China	310,678,434	RMB Ordinary Shares
Daqing Petroleum Administration Bureau	294,936,165	RMB Ordinary 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 of the Takeover of Listed Companies. (2) Except that name of the top 10 shareholders are the top 10 shareholders are the same as the top 10 shareholders not subject to sales restriction, there is no connected relations among them, nor are they parties acting in concert.	

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. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at 31 December 2012. (Same applies hereinafter)
3. According to the Bank's register of members kept by Computershare Hong Kong Investor Services Limited, HSBC held 13,886,417,698 H shares of the Bank as at 31 December 2012. In addition, according to the disclosure of interests forms filed with the Hong Kong Stock Exchange by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at 31 December 2012, representing 19.03% of the Bank's total share capital. Please refer to "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)
4. According to the Bank's register of members kept by Computershare Hong Kong Investor Services Limited, 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 31 December 2012. In addition, according to the information provided by SSF to the Bank, SSF held a 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 31 December 2012. As at 31 December 2012, SSF held a total of 10,310,846,783 A shares and H shares, representing 13.88% of the Bank's total share capital. (Same applies hereinafter)

4. SHAREHOLDERS HOLDING 5% OR MORE OF THE ISSUED SHARE CAPITAL OF THE BANK

(1) Ministry of Finance

Legal Representative	Address	Register Date	Business Registration No.	Registered Capital	Main Responsibilities
Xie Xuren	No. 3, Nansanxiang, Sanlihe, Xi Cheng District, Beijing, the PRC	October 1949	Organisation Code: 00001318-6	N/A	1. Draft the development strategies, plans, policies and reform proposals of finance and taxation. Analyse the macroeconomic environment trend and participate in formulating macroeconomic policies. Provide policy advice on macroeconomic control policy and balance allocation of public funds with fiscal instruments. Formulate policies regarding income distribution between the central and local governments and between the state and enterprises. Improve the policies of finance and taxation that encourage the development of public welfare establishments. 2. Draft the protocols of laws and administrative laws, formulate departmental regulations regarding fiscal, finance and accounting management. Organise international negotiations on foreign-related finance and debts and initial related agreements. 3. Responsible for the management of the state revenues and expenditures. Responsible for preparing the central draft annual budgets and final accounts and its implementation. Entrusted by the State Council, report to the National People's Congress on the central and local budgets and its implementation, and report to the Standing Committee of the National People's Congress on the final accounting. Organise the formulation of the standard and quota of the spending. Responsible for the auditing and approval of the draft annual budgets and final accounts of departments. Improve the transfer payment system. 4. Responsible for the administration of non-tax government revenues and the management of government-managed funds. Responsible for the management of administrative fees according to the regulations and the management of treasury note. Formulate the lottery management policy and relevant measures, administrate the lottery market and manage the lottery fund according to the regulations. 5. Organise the formulation of national treasury management system and national treasury centralised collection and payment system. Guide and supervise the central treasury business and carry out the treasury cash management. Responsible for the formulation and administration of government procurement system. 6. Responsible for drafting the taxation laws, protocols, administrative rules and regulations and the adjustment scheme of tax policy. Participate in foreign-related tax negotiations and sign foreign-related tax agreements and draft accords. Implement the international taxation agreement and agreement template. Study and put forward the policies on tariff and import taxation, draw up negotiation scheme on tariff, participate in the tariff-related negotiations and study and put forward the suggestions of collection of special tariffs. Responsible for the detailed work of Tariff Policy Committee of the State Council.

Legal Representative	Address	Register Date	Business Registration No.	Registered Capital	Main Responsibilities
					7. Responsible for formulating the state-owned asset management rules and regulations of administrative institutions. Manage the state-owned asset of administrative institutions according to the regulations. Promulgate national uniform standards and policies of some expenditures. Responsible for the non-trade foreign exchange of administrative institutions and public organisations under the fiscal budget, as well as the management of international revenue and expenditure under the fiscal budget. 8. Responsible for reviewing and summarising the draft national state-owned capital management budget and final accounts and promulgating the system and measures of state-owned capital management budget. Collect the state-owned capital gains of Central Government. Formulate and organise the implementation of enterprise accounting policy. Manage the state-owned assets of financial enterprises according to the regulations, participate in promulgating the mechanism regarding to the state-owned assets management of enterprises, and administrate the asset assessment according to the regulations. 9. Responsible for handling and supervising the economic development expenditure of central finance and fiscal appropriation of projects invested by the Central Government. Participate in drafting the policies regarding to the central construction investment and promulgating the infrastructure financial rules. Responsible for the management of subsidies granted for policy considerations and special reserve funds. Responsible for the comprehensive development and management of agriculture. 10. Manage the social security, employment, and medical treatment and public health expenditures from the Central Government with relevant departments. Promulgate the financial management rules of social security funds with relevant departments and prepare the draft protocol of social security budget and final accounts. 11. Formulate and implement policies, rules and regulations on managing government's domestic debts, prepare plans for the balance and limit of treasury bond, promulgate systems and measures of local government debt management in conformity with laws to prevent financial risk. Responsible for the consolidated management of government debt and formulate the basic management regulations. Participate in international financial and economic organisations on behalf of Central Government and develop the international exchanges and cooperation of finance and taxation. 12. Responsible for the management of national accounting work, supervise and regulate the accounting behavior. Formulate and implement the national uniform accounting system, guide and monitor the operations of certified public accountants and accounting firms, guide and regulate the auditing business. 13. Supervise and review the implementation of financial and taxation laws and regulations, report major issues on financial revenue and expenditure. Responsible for administering the operation of the Special Fiscal Inspector's Office. 14. Undertake other matters assigned by the State Council.

As at 31 December 2012, the Ministry of Finance held 19,702,693,828 shares of the Bank, representing approximately 26.53% of the total issued share capital of the Bank. These shares were neither pledged nor the subject of any disputes.

(2) The Hong Kong and Shanghai Banking Corporation Limited

Legal Representative	Address	Register Date	Business Registration No.	Registered Capital	Main Responsibilities
Stuart Gulliver	1 Queen's Road Central, Hong Kong	1866	00173611-000-01-12-7	Ordinary Share Capital: Authorised ordinary share capital of HKD80 billion is divided into 32 billion ordinary shares with a par value of HKD2.50 per share; Issued ordinary share capital of HKD58.9687 billion is divided into 23.5875 billion ordinary shares with a par value of HKD2.50 per share. Preference Share Capital: Authorised preference share capital of USD13.4505 billion, including 3.7505 billion shares of cumulative redeemable preference shares with a par value of USD1.00 per share, 7.5 billion shares of non-cumulative irredeemable preference shares with a par value of USD1.00 per share and 2.2 billion cumulative irredeemable preference shares with a par value of USD1.00 per share; Issued preference share capital of USD10.2335 billion, including 1.4505 billion shares of cumulative redeemable preference shares with a par value of USD1.00 per share, 6.653 billion shares of non-cumulative irredeemable preference shares with a par value of USD1.00 per share and 2.13 billion shares of cumulative irredeemable preference shares of a par value of USD1.00 per share.	Primarily provide local and international banking services, and related financial services in the Asia-Pacific region.

As at 31 December 2012, The Hong Kong and Shanghai Banking Corporation Limited, beneficially held 14,135,636,613 H shares of the Bank, representing approximately 19.03% of the total issued share capital of the Bank. These shares were neither pledged nor the subject of any disputes.

(3) National Council for Social Security Fund

Legal Representative	Address	Register Date	Business Registration No.	Registered Capital	Main Responsibilities
Dai Xianglong	Fenghui Times Mansion, South Wing, No. 11 Fenghuiyuan, Xicheng District, Beijing, the PRC	August 2000	Organisation Code: 71780082-2; Certificate of Legal: ShiZheng No. 110000000017	RMB8 million	Entrusted by the State Council of the People's Republic of China, manage centralised social security fund and promote the development of social security. Manage the capital allocated by the Central Government, the capital derived from reduction or transfer of state-owned shares and capital raised by other methods. Earmark funds in a way jointly instructed and designated by the Ministry of Finance and Ministry of Human Resources and Social Security. Select and entrust professional asset management companies to operate the fund assets for capital guarantee and appreciation purposes. Publish the financial conditions such as fund assets, proceeds and cash flow to the public. Undertake other tasks assigned by the State Council.

As at 31 December 2012, National Council for Social Security Fund held 10,310,846,783 H shares of the Bank, representing approximately 13.88% of the total issued share capital of the Bank. These shares were neither pledged nor the subject of any disputes.

5. 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 31 December 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 Future Ordinance (the "**SFO**") were as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance	Beneficial owner	15,148,693,829[2]	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[1]	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	11.35
Ministry of Finance	Beneficial owner	4,553,999,999[2]	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[3]	2,674,232	Long position	0.01	0.004
	Total:	14,138,310,845		40.38	19.04
HSBC Finance (Netherlands)	Interest of controlled corporations[4]	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[5]	63,250	Long position	0.0002	0.0001
	Total:	9,075,250		0.03	0.01
HSBC Holdings plc	Interest of controlled corporations[6]	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 (the "**MOF**"), as at 31 December 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 31 December 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.

1. PROFILE OF DIRECTORS

Mr. Hu Huaibang, age 57, joined the Bank in September 2008 and is the Chairman of the Board of Directors and Executive Director of the Bank. Mr. Hu was the Chairman of the Supervisory Committee of China Investment Corporation from September 2007 to September 2008, Director of the Working Department of the Supervisory Committee of the CBRC and Commissioner of Discipline Inspection of the CBRC from July 2003 to September 2007, Deputy General Manager of the PBOC's Chengdu Branch, General Manager of the PBOC's Xi'an Branch and Administrator of the State Administration of Foreign Exchange's Shaanxi Branch from June 2000 to July 2003. Mr. Hu obtained his Doctoral degree in Economics from Shaanxi Institute of Finance and Economics in 1999. Mr. Hu has been the Chairman of the Board of Directors and Executive Director of the Bank since September 2008.

Mr. Niu Ximing, age 56, joined the Bank in December 2009 and is the Vice Chairman, Executive Director and President of the Bank. Mr. Niu worked at the PBOC from September 1983 to July 1986 and served as Vice Director of the Industrial and Commercial Credit Department of the PBOC's Qinghai Branch in December 1984. Mr. Niu served in several positions in the Industrial and Commercial Bank of China ("ICBC") from July 1986 to December 2009, including as Deputy General Manager and General Manager of the ICBC's Xining Branch in Qinghai Province, Deputy Director, Director and General Manager of the Public Transportation Credit Department of ICBC, General Manager of ICBC's Beijing Branch, Assistant to the President of ICBC and General Manager of ICBC's Beijing Branch, Executive Vice President of ICBC and Executive Director and Executive Vice President of ICBC. Mr. Niu obtained his bachelor degree in Finance from Central University of Finance and Economics in 1983. Mr. Niu obtained his Master's degree in Economics from Harbin Institute of Technology in 1997 and has obtained special government allowances issued by the State Council in 1999. Mr. Niu has been the Vice Chairman of the Board of Directors, Executive Director and President of the Bank since December 2009.

Mr. Qian Wenhui, age 51, joined the Bank in October 2004 and is an Executive Director and Executive Vice President of the Bank. Mr. Qian has served as Executive Vice President of the Bank since October 2004 (and concurrently served as General Manager of Shanghai Branch from July 2005 to November 2006). Before joining the Bank, Mr. Qian worked at China Construction Bank ("CCB") and served as Director of the General Office of the Asset and Liability Committee of CCB and the Deputy General Manager of CCB's Shanghai Branch; Director of the General Office of the Asset and Liability Committee of CCB and Director of the System Reform Office; General Manager of the Asset and Liability Management Department; the General Manager of the Asset and Liability Management Department and Director of the Restructuring Office. Mr. Qian obtained his MBA degree from Shanghai University of Finance and Economics in 1998. Mr. Qian has been an Executive Director of the Bank since August 2007.

Ms. Yu Yali, age 55, joined the Bank in February 1993 and is an Executive Director, Executive Vice President and Chief Financial Officer of the Bank. Ms. Yu has served as Chief Financial Officer of the Bank since August 2004 and was General Manager of the Finance and Accounting Department and Financial Budget Department of the Bank from December 1999 to August 2004. Ms. Yu has previously served in numerous positions, including Head of Finance and Accounting Division and Deputy General Manager of the Bank's Zhengzhou Branch and Deputy General Manager of Finance and Accounting Department of the Head Office from February 1993 to December 1999. Ms. Yu obtained her MBA degree from Fudan University in 2006. Ms. Yu has been as Executive Director of the Bank since August 2012.

Mr. Zhang Jixiang, age 59, is a Non-executive Director of the Bank. Mr. Zhang served as Non-executive Director and Board Secretary from August 2007 to August 2009 and Executive Director and Board Secretary from September 2004 to July 2007. Before joining the Bank, Mr. Zhang served as Inspector in the General Department of the Ministry of Finance from January 2003 to September 2004; Deputy Director of the Infrastructure Department and Deputy Director of the General Department of the Ministry of Finance from July 1998 to January 2003. Mr. Zhang obtained his Doctoral degree in Economics from the Chinese Academy of Social Sciences in 1989. He is a PRC Certified Public Accountant and a PRC Certified Appraiser. Mr. Zhang has been a Non-executive Director since August 2009.

Mr. Hu Huating, age 55, is a Non-executive Director of the Bank. Mr. Hu served in several positions within the Ministry of Finance from December 1978 to September 2004, including Director of the Bureau for Retired Officials Affairs, Deputy Director of the Economic Construction Department, Assistant Inspector of the Infrastructure Department and Head of the General Affairs Department, Head of the Comprehensive Investment Second Division, Head of the Comprehensive Planning Supplementary Budget Management Department Second Division, Deputy Head of the Special Division of Agricultural Taxation Department, Deputy Head of the Central Division of the Supplementary Budget Management Department, Deputy Head of the Wages and Commodity Prices, Division of the Comprehensive Planning Department and Secretary of the General Office. Mr. Hu obtained his Master's degree in Investment Economics from Dongbei University of Finance and Economics in 1998 and has been a Non-executive Director of the Bank since September 2004.

Ms. Du Yuemei, age 58, is a Non-executive Director of the Bank. Ms. Du served as Deputy Supervision Commissioner and Supervision Commissioner of Shanghai Commissioner Office of the Ministry of Finance from August 2002 to August 2011. She served as Deputy Head and the Head of the Budget Division, Deputy Director-General of the Finance Department of Yunnan Province from May 1995 to July 2002, Deputy General Manager of Yunnan International Trust and Investment Corporation from December 1992 to April 1995. Ms. Du obtained her EMBA degree from Shanghai National Accounting Institute in 2006 and has been a Non-executive Director since August 2011.

Mr. Peter Wong Tung Shun, age 61, is a Non-executive Director of the Bank. Mr. Wong currently holds the positions as the Chief Executive Officer of HSBC, the Bank's substantial shareholder, as well as the Chief Operation Officer of the HSBC Group, member of the Group's Management Committee and Chairman of HSBC Bank (China) Company Limited. He also serves as Non-executive Director for Hang Seng Bank Limited as well as independent Non-executive Director of Cathay Pacific Airways Limited. Mr. Wong was the Non-executive Director for Ping An Insurance (Group) Company of China Limited from May 2006 to December 2012 and Mr. Wong was the Chairman of The Hong Kong Association of Banks in 2001, 2004, 2006 and 2009. His official duties in mainland China include Standing Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") in Hubei Province, Adviser (Overseas) for the Mayor of Tianjin and International Economics Consultant for the Mayor of Chongqing, Vice Chairman, Council Member of the China Banking Association Council, and Council Member of the Red Cross Society of China. He has been a Visiting Professor at Central University of Finance and Economics since June 2011. Before joining HSBC in April 2005, Mr. Wong worked for Citibank and Standard Chartered Bank. Mr. Wong obtained his Masters in Marketing and Finance and in Computer Science from Indiana University in the US in 1976 and 1979 respectively. Mr. Wong has been a Non-executive Director of the Bank since August 2005.

Ms. Anita Fung Yuen Mei, age 52, is a Non-executive Director of the Bank. She currently holds the position as the Group General Manager of HSBC Holdings Plc, Chief Executive Officer of HSBC Hong Kong, Chairman and Director of HSBC Global Asset Management (Hong Kong) Limited, Vice Chairman of HSBC (China) Limited, Non-executive Director of Hang Seng Bank Limited and Director of HSBC Markets (Asia) Limited. Ms. Fung served as Group General Manager of HSBC Holdings Plc and Head of HSBC Global Banking and Capital Markets Asia-Pacific from January 2010 to September 2011; Group General Manager of HSBC Holdings Plc, Treasurer and Head of Global Banking and Markets for Asia-Pacific from May 2008 to January 2010. She previously held various positions including Head of HSBC Bond Market, Head of Asian Fixed Income Trading, Head of Asian Pacific Trading, Joint-Head and Treasurer of Global Markets for Asia-Pacific from September 1996 to April 2008. Ms. Fung obtained her Master's degree in Applied Finance from Macquarie University, Australia in 1995. Ms. Fung has been a Non-executive Director since November 2010.

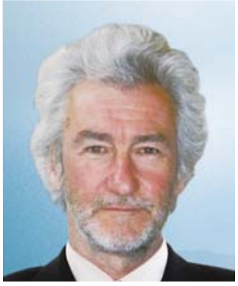
Mr. Ma Qiang, age 54, is a Non-executive Director of the Bank. Mr. Ma has been the Director of the Equity Management Department (Industrial Investment Department) of National Council for Social Security Fund since December 2010. Mr. Ma also served as Deputy Chief and Member of the Party Leadership Group, Deputy Chief and Deputy Secretary of the Party Leadership Group (bureau level) of the Tianjin Finance Bureau (the Tianjin Local Tax Bureau) from July 2001 to December 2010. Mr. Ma graduated from Online College of Hunan University in 2004 with Finance major. Mr. Ma has been a Non-executive Director since September 2011.

Mr. Lei Jun, age 43, is a Non-executive Director of the Bank. Mr. Lei is the General Manager of the Capital Operation Department of Beijing Capital Airport Holding Company since June 2005. He also holds the positions as the Chairman of Goldstate Securities Co. Ltd. He served as General Manager of the Mergers and Acquisitions Department in Goldstate Securities Co., Ltd from January 2005 to June 2005; Supervisor of the Management and Innovation Division in Shanghai Baosteel Group from October 2003 to January 2005 and Division Deputy General Manager in Fortune Trust from June 1998 to October 2003. Mr. Lei obtained his MBA from the University of Hong Kong in 2000 and has been a Non-executive Director of the Bank since August 2008.

Mr. Eric Li Ka-cheung, age 59, Justice of the Peace, Officer of the Most Excellent Order of the British Empire (OBE) and recipient of the Gold Bauhinia Star and a member of the 11th CPPCC, is an Independent Non-executive Director of the Bank. He is also Senior Partner of Li, Tang, Chen & Co and an Independent Non-executive Director of Hang Seng Bank Limited, China Resources Enterprise Limited, Transport International Holdings Ltd., RoadShow Holdings Limited, SmarTone Telecommunications Holdings Limited, Wong's International (Holdings) Ltd and Sun Hung Kai Properties Limited. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practising), a fellow member of The Institute of Chartered Accountants in England and Wales and a Honorary fellow member of CPA Australia. Mr. Li is also a fellow member of The Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries. Mr. Li obtained his Bachelor of Arts (Hons) in Economics from the University of Manchester and separate Doctoral (Hons) degrees from the University of Manchester and the Hong Kong Baptist University. Mr. Li has been an Independent Non-executive Director of the Bank since January 2007.

Mr. Gu Mingchao, age 69, retired in May 2007, is an Independent Non-executive Director of the Bank. Mr. Gu served as Chairman of the Supervisory Committee of China Galaxy Securities Company Limited, Bank of Communications and Agricultural Bank of China as designated by the State Council from July 2000 to April 2007; Executive Vice President and Executive Director of the Export-Import Bank of China from June 1994 to June 2000. Mr. Gu graduated from Shanghai Institute of Foreign Trade in 1968 and has been an Independent Non-executive Director of the Bank since August 2007.

Mr. Wang Weiqiang, age 65, is an Independent Non-executive Director of the Bank. Mr. Wang is a CPPCC member, PhD Supervisor at Southwestern University of Finance and Economics and Vice Chairman of China Urban Finance Society. Mr. Wang has been serving as Chief Supervisor of ICBC International Holdings Limited since June 2008, Chief Supervisor of ICBC from October 2005 to June 2008, Chairman of the Supervisory Committee of ICBC upon designation by the State Council from August 2003 to October 2005 and Chairman of the Supervisory Committee of the Agricultural Bank of China upon designation by the State Council from June 2000 to July 2003. Mr. Wang graduated from the Department of Economics and Management of Liaoning University in 1984. Mr. Wang has been an Independent Non-executive Director of the Bank since November 2010.



Mr. Peter Nolan, age 64, recipient of the Commander of the Most Excellent Order of the British Empire, is an Independent Non-executive Director of the Bank. Since 2012, Mr. Nolan has been Director and Professor of Centre of Chinese Development and Studies, at Cambridge University. Mr. Nolan was a professor in Judge Business School at Cambridge University from 1997 to 2012 and was a lecturer in the Faculty of Economics and Politics Science at Cambridge University from 1979 to 1997. Mr. Nolan obtained his Doctoral degree in Economics from University of London in 1981 and has been an Independent Non-executive Director of the Bank since November 2010.

Mr. Chen Zhiwu, age 50, is an Independent Non-executive Director of the Bank. Mr. Chen has been a professor of Finance at School of Management of Yale University since July 1999. Currently, he also serves as the Independent Non-executive Director of Petro China Corp, Lord Abbett China Asset Management Co., Ltd., Visiting Professor at Tsinghua University, Cheung Kong Chair Professor, Chairman of Academic Council in ChangCe Thinktank and Chief Adviser of Permal Group. Mr. Chen was an Assistant Professor and Associate Professor of Business and Finance at Ohio State University from July 1995 to July 1999. Mr. Chen obtained his Doctoral degree in Finance and Economics from Yale University in 1990. He has been an Independent Non-executive Director since November 2010.

Mr. Choi Yiu Kwan, age 58 and holder of the Silver Bauhinia Star awarded by the Hong Kong SAR Government, is an Independent Non-executive Director of the Bank. On 15 January 2013, Mr. Choi was appointed as an Independent Non-executive Director of the Industrial and Commercial Bank of China (Asia) Limited. Mr. Choi joined the Hong Kong Monetary Authority in 1993 and held different positions including the Head of the Banking Policy Department, the Head of Administration, the Assistant Executive Director (Banking Supervision), the Deputy Chief Executive (Monetary Policy and Reserves Management) and the Deputy Chief Executive (Banking Supervision) until retirement in January 2010. Mr. Choi held various positions in the Office of the Commissioner of Banking of the Hong Kong Government between 1974 and 1993, responsible for supervising the banking industry. Mr. Choi obtained an Higher Certificate in Accounting from the Hong Kong Polytechnic University in 1976 and he is a Fellow Member of both the Hong Kong Institute of Bankers and the Treasury Markets Association. He has been an Independent Non-executive Director since September 2011.

2. PROFILE OF SUPERVISORS

Mr. Hua Qingshan, age 60, joined the Bank in May 2007 and is the Chairman of the Supervisory Committee of the Bank. Mr. Hua served as Executive Vice President of Bank of China from December 1998 to May 2007, Non-executive Director of BOC Hong Kong (Holdings) Limited from June 2002 to May 2007; Executive Director of Bank of China from August 2004 to May 2007 and Assistant to the President of Bank of China from May 1994 to December 1998. Mr. Hua obtained his Master's degree of engineering from Hunan University in 1996. Mr. Hua has been the Chairman of the Supervisory Committee of the Bank since August 2007.

Mr. Jiang Yunbao, age 71, is an External Supervisor of the Bank. Mr. Jiang served as member of the Environmental and Resources Protection Committee and Deputy Group Leader of the Energy Group of the Tenth National People's Congress of the PRC from October 2004 to March 2008; Deputy Secretary-general of the Standing Committee and member of the Environmental and Resources Protection Committee of the Tenth National People's Congress of the PRC from March 2003 to October 2004; Deputy Secretary-general of the Standing Committee of the Ninth National People's Congress of the PRC from March 1998 to March 2003. Mr. Jiang graduated from the Department of Power Mechanical Engineering of Tsinghua University in 1966, majoring in Gas Turbine Engine. Mr. Jiang has been an External Supervisor of the Bank since May 2011.

Mr. Jiang Zuqi, age 72, is an External Supervisor of the Bank. Mr. Jiang served as the Chairman of the Supervisory Committee for several key state-owned financial institutions upon appointment by the State Council from June 2000 to August 2005. He served as the Chairman of the Supervisory Committee of the Bank from June 2000 to August 2003. He served as the Chairman of the Supervisory Committee in The Export-Import Bank of China from August 2003 to August 2005. He served as the Vice Chairman of the Board of Directors and Executive Vice President of the Bank of China from August 1995 to June 2000. He also served as the Head of the Hong Kong and Macau Administration Office of the Bank of China from August 1997 to February 1999. Mr. Jiang graduated from the School of Business of the Beijing Technology and Business University in 1966, majoring in Finance and Accounting. Mr. Jiang has been an External Supervisor of the Bank since August 2007.

Mr. Gu Huizhong, age 56, is a Supervisor of the Bank. Mr. Gu has been the Deputy General Manager and Chief Accountant in the Aviation Industry Corporation of China from August 2008 to present. Mr. Gu was the Deputy General Manager of China Aviation Industry Corporation First Group from June 1999 to August 2008, during which he also served as Chief Accountant from February 2005 onwards. He served as Deputy Director of the Finance Department in Technology and Industry Committee for National Defence from July 1998 to December 1998. Mr. Gu obtained his Master's degree in International Finance from the Peking University of Aeronautics and Astronautics in 2000 and his EMBA from Cheung Kong Graduate School of Business in 2008. Mr. Gu has been a Supervisor of the Bank since August 2010.

Mr. Guo Yu, age 38, is a Supervisor of the Bank. Mr. Guo has been the Head of Investment Division at Shanghai Tobacco (Group) Corp. Ltd and the Director and General Manager of Shanghai Haiyan Investment Management Limited since September 2011. He was the Deputy Head of Investment Division in Shanghai Tobacco (Group) Corp. (currently the Shanghai Tobacco (Group) Corp., Ltd) from November 2009 to September 2011, Deputy General Manager of Shanghai Tobacco Package Printing Co., Ltd. from October 2008 to November 2009. He also held various positions in Shanghai Tobacco (Group) Corp. from July 1997 to October 2008. Mr. Guo obtained his MBA from Arlington Graduate School of University of Texas in the US in 2003. Mr. Guo has been a Supervisor of the Bank since August 2010.

Mr. Yang Fajia, age 58, is a Supervisor of the Bank. Mr. Yang has been the Director and General Manager of Yunnan Hongta Group Co., Ltd. since January 2003. He served as Deputy General Manager of Yunnan Hongta Group Co., Ltd. from September 1993 to January 2003. Mr. Yang obtained his Bachelor's degree in Electromechanical Science from China University of Mining & Technology in 1980. Mr. Yang has been a Supervisor of the Bank since August 2007.

Mr. Chu Hongjun, age 59, is a Supervisor of the Bank. Mr. Chu has been the Deputy Compliance Officer of Sinopec Finance CO., LTD. and the General Manager of Sinopec Finance Company Limited Nanjing Branch since May 2010. He was the General Manager of Sinopec Finance CO., LTD. Nanjing Branch from June 2007 to May 2010, and Deputy Director and Director in Sinopec Finance Company Limited Nanjing office from May 1999 to June 2007. Mr. Chu graduated from the Correspondence Institute of the Party School of the Central Committee of C.P.C.C. in 1998 and has been a Supervisor of the Bank since August 2010.

Mr. Li Jin, age 46, is a Supervisor of the Bank. Mr. Li has been serving as the Deputy General Manager of Huaneng Capital Service Co., Ltd. since September 2006. He was the President of Alltrust Insurance Company of China Limited from January 2005 to September 2006, Deputy General Manager and General Manager of China Huaneng Finance Corporation Ltd. from December 2000 to January 2005. Mr. Li obtained his Master's degree in Monetary Banking from the Financial Research Institution of the PBOC in 1989 and has been a Supervisor of the Bank since August 2007.

Mr. Yan Hong, age 46, is a Supervisor of the Bank. Mr. Yan has been serving as the Chief Accountant of Daqing Oilfield Limited Company and Daqing Petroleum Administration Bureau since March 2008. Mr. Yan was the Deputy Chief Accountant, Head of Finance and Asset Management Department and the Chief Accountant of Daqing Oilfield Limited Company from March 2002 to March 2008 and the Deputy Head and Head of Finance and Assets Management Department in Daqing Oilfield Limited Company from May 2000 to March 2002. He previously served as the Deputy Chief Accountant in Daqing Oilfield Limited Liability Company's oil rig construction subsidiary from January 1999 to May 2000. Mr. Yan graduated from Shanghai University of Finance and Economics with a MBA degree in 2003 and from China Europe International Business School with a MBA degree in 2008. Mr. Yan has been a Supervisor of the Bank since August 2008.

Ms. Liu Sha, age 57, joined the Bank in November 2004, is an Employee Representative Supervisor of the Bank. She has been Senior Commissioner of the Audit Department of the Northern China of the Bank since September 2012. She had been serving as General Manager of the Audit Department of the Northern China of the Bank from September 2005 to August 2012. Ms. Liu was the Secretary of the Supervisory Committee from March 2005 to August 2005, Supervisor Appointed for Key State-owned Financial Institution (Bocom), Deputy Director General-level, from August 2003 to October 2004 and Supervisor Appointed for Key State-owned Financial Institution (China Galaxy Securities Company Limited), Division Chief Level and Deputy Director General-level from August 2000 to July 2003. Ms. Liu obtained her Bachelor's degree in Public Finance from Dongbei University of Finance and Economics in 1979. Ms. Liu has been an Employee Representative Supervisor of the Bank since November 2004.

Ms. Chen Qing, age 52, joined the Bank in November 2004 and is an Employee Representative Supervisor of the Bank. Ms. Chen has served as the Head of the General Office for the Bank's Supervisory Committee since March 2005. In November 2004, Ms. Chen was appointed as the Supervisor (Deputy Director General-level) of the Bank. Ms. Chen was the Supervisor for Key State-owned Financial Institution — Agricultural Bank of China, Division Chief Level, from August 2003 to October 2004; the Supervisor for Bank of China serving at Division Chief Level, and then as the Deputy Division Head, Division Head from July 2000 to August 2003. Ms. Chen served Deputy Division Head of Finance Department of National Audit Office of the People's Republic of China since February 1997. Ms. Chen obtained her Bachelor degree in Economics from Renmin University of China in 1984 and a MBA degree from Shanghai University of Finance and Economics in 2009. She has been an Employee Representative Supervisor of the Bank since November 2004.

Mr. Shuai Shi, age 44, joined the Bank in November 1992 and is an Employee Representative Supervisor of the Bank. Mr. Shuai has been serving as the General Manager of the Employee Work Department since December 2007. He is also the Deputy Director of the Labour Union since January 2008. Mr. Shuai served as the Deputy General Manager of the Bank's Huhhot Branch from July 2006 to December 2007 and the Senior Manager of Private Banking Department in the Shanghai Branch from January 2001 to July 2006 (during which he was the Assistant to the Head of the Finance Office within the Provincial Government of the Inner Mongolia Autonomous Region from February 2004 to February 2006). Mr. Shuai obtained his master degree in Economic Management from School of Economic Management of the Party School of the Central Committee of C.P.C. in July 2010. Mr. Shuai has been an Employee Representative Supervisor of the Bank since August 2008.

Mr. Du Yarong, age 49, joined the Bank in September 1997 and is an Employee Representative Supervisor of the Bank. Mr. Du has been serving as the Head of the Office of Discipline Investigation and Supervision since November 2009. He was the Deputy General Manager in Zhejiang Branch from January 2009 to November 2009 and served as the Deputy General Manager in Hangzhou Branch from October 2004 to January 2009. Mr. Du is the Head of the General Office in Hangzhou Branch from April 2004 to October 2004 and is the General Manager in the Xiaoshan Sub-branch of the Hangzhou Branch from May 2001 to April 2004. He was the Deputy Head of the Internal Audit Control Division at the Bank's Head Office from April 2003 to March 2004. Mr. Du also served as Managerial Staff (Division Chief Level), Deputy Head and Head of the Party Committee Office of the Hangzhou Branch from October 1997 to May 2001. Mr. Du graduated from Hangzhou Normal University in 1986 and has been a Supervisor of the Bank since August 2010.

3. PROFILE OF SENIOR MANAGEMENT

Mr. Niu Ximing (Please refer to details in "Profile of Directors")
Mr. Qian Wenhui (Please refer to details in "Profile of Directors")
Ms. Yu Yali (Please refer to details in "Profile of Directors")

Mr. Shou Meisheng, age 56, joined the Bank in January 1992 and is the Executive Vice President, the Commissioner of Discipline Inspection and President of the Labour Union. Mr. Shou was the General Manager of Human Resources Department of the Bank from May 2005 to December 2007, General Manager of International Banking Department of the Bank from June 1998 to May 2005 and General Manager of Dalian Branch of the Bank from January 2002 to March 2004. Mr. Shou obtained his Doctoral degree in Economics from Dongbei University of Finance and Economics in 2006.

Mr. Hou Weidong, age 53, joined the Bank in April 2002, and is the Executive Vice President and Chief Information Officer of the Bank. Mr. Hou has been the Chief Information Officer from August 2004 to December 2010 and was the General Manager of the Information Technology Department of the Bank from November 2002 to August 2004 and the Deputy General Manager of Computer Department of the Bank from April 2002 to November 2002. Before joining the Bank, he served as Deputy General Manager of Technology Security Department and General Manager of Data Centre in ICBC from November 1998 to April 2002. Mr. Hou obtained his Doctoral degree in Economics from Peking University in 2003.

Mr. Zhu Hexin, age 45, joined the Bank in 1993 and is President of the Beijing Administrative Department and General Manager of Beijing Branch of the Bank. Mr. Zhu has been the Director of Corporate Development and Executive Vice President of the Beijing Administrative Department, the Director of Corporate Development and President of the Beijing Administrative of the Bank from February 2010 to August 2012. He also served as General Manager of the Corporate Banking Department from July 2010 to October 2011, and has been General Manager of Beijing Branch since November 2011. His previous positions include General Manager of Jiangsu Branch from January 2009 to January 2010, General Manager of Nanjing Branch from November 2006 to January 2009 and General Manager of Suzhou Branch from November 2001 to November 2006. Mr. Zhu obtained his Bachelor's degree in Engineering from Shanghai University of Finance and Economics in 1991.

Mr. Yang Dongping, age 56, joined the Bank in May 1989, and is the Chief Risk Officer of the Bank. Mr. Yang served as Deputy General Manager and General Manager of the Bank's Hong Kong Branch from September 2003 to September 2007. He also held several positions in Wuhan Branch, including Deputy Manager of Securities Business Department, Associate Director and Director of Credit and Loan Division, General Manager, Deputy General Manager and General Manager of International Business Division, from May 1989 to September 2003. Mr. Yang obtained his Master's degree in International Finance from Wuhan University in 1998.

Mr. Du Jianglong, age 42, joined the Bank in August 2009 and is the Secretary of the Board of Directors and Director of the Board Office of the Bank. Mr. Du worked in the Department of Trade Finance, Department of National Debt Financing and Department of Finance of the Ministry of Finance from July 1997 to July 2009. While working in these departments, he held various positions of Deputy Head of Division I in the Department of Finance, Secretary of the Department of Finance (Division Chief Level), Head of Division I in the Department of Finance and Deputy Director-General of the Department of Finance. During the period, he also took the positions of Supervisor of The Export-Import Bank of China and Agricultural Development Bank of China. Mr. Du obtained his Master's degree in Economics from the Research Institute for Fiscal Science of Ministry of Finance in 1997 and his Master's degree in Economics from University of Manchester in 2003.

Mr. Lv Benxian, age 46, joined the Bank in 1992 and is the Director of Corporate Development of the Bank, the Executive Vice President of the Beijing Administrative Department and the General Manager of the Corporate Business Department. Mr. Lv has been the General Manager of Shanghai Branch from March 2010 to December 2012. His previous positions include General Manager of Shenzhen Branch from February 2007 to March 2010, General Manager of Wuhan Branch from December 2003 to February 2007, Deputy General Manager and General Manager of Harbin Branch from August 2000 to December 2003. Mr. Lv obtained his EMBA degree from Dongbei University of Finance and Economics in 2005.

4. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In March 2012, Mr. Wang Bin resigned as Executive Director, and Vice President of the Bank due to reassignment of work.

In June 2012, at the 2011 Annual General Meeting, Ms. Yu Yali was appointed as an Executive Director of the Bank. In addition, Mr. Jiang Yunbao was appointed as an External Supervisor of the Bank. The appointment of Ms. Yu Yali was approved by CBRC.

In July 2012, Mr. Dicky Peter Yip resigned as Vice President due to the reason of age.

In August 2012, pursuant to the resolution passed at the Sixteenth Meeting of the Sixth Session of the Board of Directors, Mr. Shou Meisheng was appointed as Vice President of the Bank. In addition, Mr. Lv Benxian was appointed as Director of Corporate Development. The appointments of the above were approved by CBRC.

In August 2012, Mr. Zhu Hexin resigned as Director of Corporate Development due to reassignment of work. After resignation, Mr. Zhu is still the member of Senior Management of the Bank and serves as President of the Beijing Administrative Department and General Manager of Beijing Branch.

5. HUMAN RESOURCE MANAGEMENT

(1) Basic Information of Employees

As at the end of 2012, the Bank had a total of 96,259 domestic and overseas employees, representing an increase of 6.78% from the beginning of the year of which 94,475 employees were based domestically. Total number of local employees in overseas branches was 1,784. Total number of local employees in 10 subsidiaries was 1,390.

Among the domestic employees, 36,042 employees hold professional and technical qualifications, of which 634 employees hold senior professional and technical qualifications, accounting for approximately 0.67% of total domestic employees, 16,837 employees hold intermediate professional and technical qualifications, accounting for approximately 17.82% of total domestic employees, and 18,571 employees hold junior professional and technical qualifications, accounting for approximately 19.66% of total domestic employees.

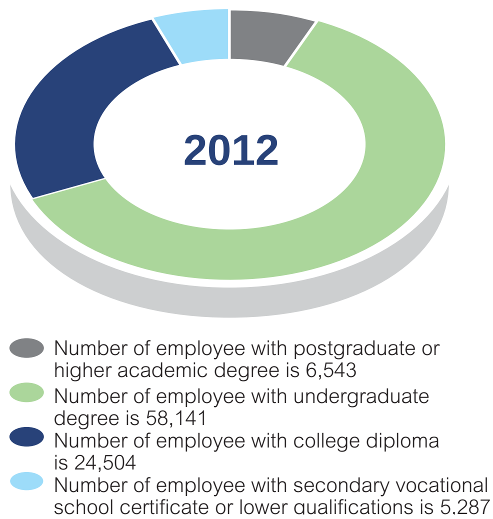
The average age of the Bank's domestic employees was 34 years old, with 48,816 employees under the age of 30, accounting for approximately 51.67% of total domestic employees, 24,462 employees between the age of 30 and 40, accounting for approximately 25.89% of total domestic employees, 16,549 employees between the age of 40 and 50, accounting for approximately 17.52% of total domestic employees, and 4,648 employees above the age of 50, accounting for approximately 4.92% of total domestic employees.

Among the domestic employees, 6,543 employees possess postgraduate or higher academic degrees, accounting for approximately 6.92% of total domestic employees, 58,141 employees possess undergraduate degrees, accounting for approximately 61.54% of total domestic employees, 24,504 employees possess college diploma, accounting for approximately 25.94% of total domestic employees, and 5,287 employees possess secondary vocational school certificate or lower qualifications, accounting for approximately 5.60% of total domestic employees.

There was a total of 2,772 retired employees under the Bank's pension scheme in 2012.

Employee's Professional and Technical Qualifications among Domestic Branches

Employee's Academic Background among Domestic Branches



(2) Remuneration Policy

The Bank implemented and continued to perfect a remuneration system with the aim to embrace the fundamental of job positions and the labour market rate as target, in order to highlight the principle of stability and strengthen self-discipline. This enables to stress on balance between the stability of job positions and encourage the efficiency, so as to realise the collaboration of value of the postion and the performance, fully utilise the control of remuneration to corporate governance and risk control, and lead to the steady operation and sustainable development. The Bank also cares about its employees' well-being and future protection. While managing the relationship between short-term and long-term incentives, the Bank continuously studies and promotes an employee benefits system, which is based on the enterprise annuity programme, "to ensure the Bank follow a unified approach and standardised operation management".

The remuneration of Directors who receive remuneration from the Bank shall be determined based on their performance and the result of the annual evaluation, pursuant to the Articles of Association and the relevant regulations.

(3) Performance Management

The Bank continuously seeks to optimise its performance management framework, extents the scope of evaluation, and improves performance evaluation processes at each level, including Head Office, provincial branches and overseas institutions. With clarified goals and responsibilities, and Senior Managements and employees are evaluated based on their performance goals and capabilities. The Bank further refines appraisal evaluation method and improves feedback channel, in order to optimise its evaluation system. The assessment results are linked with remuneration, career development, education and training, as well as spiritual reward to optimise the guiding effect of performance management.

(4) Employee Training

The Bank has set up the education and training management system with its own characteristics. The Bank concentrates on the training quality and conducts employee education and training from various dimensions and categories in order to accelerate the career development of the employees. In 2012, according to the objectives and tasks of its strategic transformation of the "BoCom Strategy" and the "Second Round of Reform", the Bank has focused on the training of the Senior Management, professional employees and customer managers. To run effective Senior Management, professional and customer manager training, the Bank pushes forward the various training for managers and employees and builds innovative training system and mechanism. In the meanwhile, the Bank develops and integrates various training resources, as well as enhances the quality of education and training.

(5) Employee Pension Scheme

Details of the Bank's employee pension scheme are set out in Note 29 in the Consolidated Financial Statements.

Report of the Board of Directors

The Board of Directors hereby presents its report and the audited Consolidated Financial Statements of the Group for the fiscal year ended 31 December 2012.

1. PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of banking and related financial services. Details of the Group's operating results by business segments for the year are set out in Note 43 to the Consolidated Financial Statements.

2. RESULTS AND DIVIDEND DISTRIBUTION

The Board proposed to distribute a cash dividend of RMB0.24 (before tax) to A shares and H shares registered members of the Bank and based on the total share capital of 74,262,726,645 shares as at 31 December 2012. Total distribution of cash dividend was RMB17.823 billion.

The above proposed profit distribution shall be subject to the approval of the shareholders at the annual general meeting and will be effective after their approval.

3. RESERVES

Changes in the Group's reserves during the year are set out in the Consolidated Statement of Changes in Equity on page 145. The Bank's reserves available for distribution amounted to RMB81.225 billion as at 31 December 2012.

4. CHARITABLE DONATIONS

Charitable donations made by the Group during the year 2012 amounted to RMB16.18 million (2011: RMB28.16 million).

5. FIXED ASSETS

Changes in the Group's fixed assets during the year are set out in Note 22 to the Consolidated Financial Statements.

6. SHARE CAPITAL AND PUBLIC FLOAT

Details of the Bank's share capital during the year are set out in Note 31 to the Consolidated Financial Statements.

During 2012 and for the period up to the latest practicable date prior to the printing of this Annual Report, the Bank has fulfilled the minimum public float requirement of the Hong Kong Stock Exchange, based on the information that is publicly available to the Bank and within the knowledge of the Directors.

7. FINANCIAL SUMMARY

A summary of the operating results, assets and liabilities of the Group for the last 5 financial years is set out on page 4.

8. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and Senior Management of the Bank are set out on pages 82 to 91 of this Annual Report. The Bank has received an annual confirmation of independence from each of the Independent Non-executive Directors, and considers each of them to be independent.

9. BOARD COMMITTEES

Please refer to the "Corporate Governance Report" of this Annual Report.

10. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

None of the Directors or Supervisors of the Bank has entered into any service contract with the Bank or its subsidiaries which would entail compensation if terminated within one year (other than statutory compensation).

11. REMUNERATION OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals of the Bank are set out in Note 13 to the Consolidated Financial Statements.

12. INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

During the Reporting Period, neither the Bank nor its subsidiaries have entered into any significant contracts relating to the business of the Bank in which the Directors and Supervisors have any significant direct or indirect interest.

13. MANAGEMENT CONTRACT

During the Reporting Period, the Bank neither entered into nor had any existing contract for the provision of management services of the whole or any part of the Bank's business.

14. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS OF THE BANK

During the Reporting Period, none of the Directors or Supervisors of the Bank had any interest in any business that competes or is likely to compete, whether directly or indirectly, with the Bank's business.

15. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Class of shares	Shares held at beginning of the year	Change (+) of shares held in the Reporting Period	Change (-) of shares held in the Reporting Period	Shares held at end of the year	Reason of change category
Zhang Jixiang	Non-executive Director	A Shares	37,180	800	–	37,980	Shares purchased from the secondary market
Yang Dongping	Chief Risk Management Officer	A Shares	94,820	–	–	94,820	–

As at 31 December 2012, other than disclosed above, none of the Bank's Directors, Supervisors and Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be entered in the register as kept pursuant to section 352 of the SFO, or which were required, pursuant to "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in the Appendix 10 in Hong Kong Listing Rules, to be notified to the Bank and the Hong Kong Stock Exchange.

16. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders of the Bank are set out in the section headed "Changes in Share Capital and Substantial Shareholders" in this Annual Report.

17. PURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK

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

18. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no mandatory provisions regarding pre-emptive rights under the Bank's Articles of Association and the relevant laws and regulations of the People's Republic of China and currently the Bank does not have any arrangements with respect to share option.

19. ISSUE OF SHARES AND DEBENTURES

To satisfy the Bank's needs of the sustainable and stable business development to better serve the real economy, as well as to meet the increasingly stringent regulatory requirements, pursuant to the resolution passed at the extraordinary general meeting held on 9 May 2012, the Bank completed the non-public issuance of A shares and H shares, including the issuance of 6,541,810,669 A shares at RMB4.55 per share and 5,835,310,438 H shares at HKD5.63 per share. The aggregate nominal value of the new issued A shares and H shares is RMB6,541,810,669 and RMB5,835,310,438, respectively. The closing price of A shares and H shares, as at 14 March 2012 (being the last trading day immediately before and including the date of the various subscription agreements and the placing agreement entered into by the Bank for the purpose of the non-public issuance of A shares and H shares), was RMB4.87 and HKD6.19 respectively.

The Bank issued new A shares for subscription to 7 target subscribers, including: Ministry of Finance, SSF, Ping An Asset Management Co., Ltd., China FAW Group Corporation, Shanghai Haiyan Investment Management Co., Ltd, China National Tobacco Corporation Zhejiang, and Yunnan Hongta Group Co., Ltd.. To the best knowledge, information and belief of the Directors, save for Ministry of Finance, SSF, Shanghai Haiyan Investment Management Co., Ltd and Yunnan Hongta Group Co., Ltd, the remaining three subscribers of new A shares and their respective ultimate beneficial owners are third parties independent of the Bank and connected persons (as defined in the Hong Kong Listing Rules and the Listing Rules of the Shanghai Stock Exchange) of the Bank.

The Bank issued new H shares for subscription to several subscribers, including: Ministry of Finance, HSBC, SSF, Best Investment Corporation, China Life Insurance (Overseas) Company Limited, as well as the placees who received placing shares through CITIC Securities Corporate Finance (HK) Limited (acting as the placing agent). To the best knowledge, information and belief of the Directors, save for Ministry of Finance, HSBC, and SSF, all the remaining target subscribers and the placees and their respective ultimate beneficial owners are third parties independent of the Bank and connected persons of the Bank.

Upon approval by the relevant regulatory authorities, as at 24 August 2012, the Bank has completed the above non-public issuance of A shares and H shares and raised net proceeds of approximately RMB56.295 billion (the net price of each new A share and H share was approximately RMB4.54 and HKD5.59, respectively) which has been used to replenish the capital base of the Bank. As a result of this non-public issuance, the Bank's total share capital was increased to 74,262,726,645 shares, including 39,250,864,015 A shares and 35,011,862,630 H shares.

20. SHARE APPRECIATION RIGHTS

As part of the incentive scheme, the Bank has granted to members of Senior Management share appreciation rights. These share appreciation rights issued do not involve any issue of new shares or dilution of existing shareholders' equity. Details of the share appreciation rights are set out in Note 13 to the Consolidated Financial Statements.

As at 31 December 2012, the Bank has not granted to its Directors, Supervisors, Chief Executive nor their spouses or dependents under 18 years old any rights to subscribe for the shares or debentures of the Bank or any of its subsidiaries, nor have any such rights to subscribe for the above shares or debentures been exercised by them. The Bank and its subsidiaries also have not entered into any agreement or arrangement which was to enable the Directors, Supervisors, Chief Executive or their spouses or dependents under 18 years old to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other relevant companies.

21. MAJOR CUSTOMERS

During the Reporting Period, the total interest income and other operating income from the five largest customers of the Group accounted for less than 2% of the Group's total interest income and other operating income. None of the Bank's Directors, their associates or shareholders (which, to the knowledge of the Directors, owns more than 5% of the Bank's issued share capital), have any beneficial interest in the Bank's five largest customers.

22. INCOME TAXES

As stipulated in the "Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises (Guo Shui Han [2008] No. 897)" published by the State Administration of Taxation, when Chinese residents enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%. Non-resident enterprises may apply for tax refund in accordance with relevant provisions including taxation agreement (arrangement) after receiving dividends.

In accordance with the "Notice on Issues relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045" published by the State Administration of Taxation, when foreign individuals holding H shares obtained dividend and/or bonus shares from the non-foreign invested companies incorporated in PRC that issue H shares, the individual income tax is usually withheld at a uniform rate of 10%. The specific rate applied to foreign individuals may be different according to his/her residential status and the tax treaties signed between the country of his/her residence and the People's Republic of China.

Shareholders should consult their tax advisers regarding tax consequences of owning and disposing of the H shares of the Bank.

23. CONTINUING CONNECTED TRANSACTIONS

(1) The Interbank Transactions Master Agreement

HSBC is a substantial shareholder of the Bank, therefore HSBC, together with its subsidiaries and associates (the "**HSBC Group**") are all connected persons of the Bank. The Bank and its subsidiaries have regularly engaged in various transactions in the normal course of banking business with the HSBC Group, such as sales and purchases of bonds, sales and purchases of money market instruments, foreign currency transactions, swap and option transactions, factoring and third party loans guaranteed by the HSBC Group. To regulate the continuing transactions mentioned above, the Bank has entered into an interbank transactions master agreement (the "**Interbank Transactions Master Agreement**") for a term of three years with HSBC in 2005, and subsequently renewed in 2008.

On 30 June 2011, the Bank further renewed and entered into Interbank Transactions Master Agreement with HSBC for a term of three years, commencing from 1 June 2011 to 31 May 2014, and set the relevant caps for the continuing connected transactions contemplated under the agreement for the two years ending 31 December 2013, and the period from 1 June 2011 to 31 December 2011 and from 1 January 2014 to 31 May 2014, respectively.

The continuing connected transactions contemplated under the Interbank Transactions Master Agreement mainly include bond transactions, money market transactions, foreign currency transactions and swap and option transactions.

There is no fixed price or rate for the transactions under the Interbank Transactions Master Agreement. However, the parties agreed to apply the prevailing market prices or rates normally used by independent counterparties to the particular type of transactions when transacting pursuant to the Interbank Transactions Master Agreement.

Pursuant to the Hong Kong Listing Rules, the transactions contemplated under the Interbank Transactions Master Agreement are only subject to reporting, annual review and announcement requirements, and are exempt from the independent shareholders' approval.

For the year ended 31 December 2012, the continuing connected transactions under the Interbank Transactions Master Agreement have not exceeded their respective annual caps:

(1) Each of the realised gains or losses and unrealised gains or losses (as appropriate) arising from the non-exempt continuing connected transactions have not exceeded RMB5.237 billion.

(2) The fair value of the foreign currency transactions, swap and option transactions entered into with the HSBC Group (whether recorded as assets or liabilities) under the non-exempt continuing connected transactions has not exceeded RMB11.139 billion.

(2) The Independent Non-executive Directors' Annual Review of the Non-exempt Continuing Connected Transactions

Upon careful review of the continuing connected transactions in 2012, each of the Independent Non-executive Directors of the Bank considers that the continuing connected transactions entered into by the Group were:

(1) in the ordinary and usual course of business of the Bank;

(2) either on arms-length commercial terms or if there are no sufficient comparable transactions to judge whether they are on arms-length commercial terms, from the Bank's perspective, on terms no less favourable to the Bank than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the Interbank Transactions Master Agreement and on terms that are fair and reasonable and in the interests of the shareholders of the Bank as a whole.

(3) The Auditors' Annual Review of the Non-exempt Continuing Connected Transactions

The auditors have issued a letter to the Board of Directors confirming that:

(1) the non-exempt continuing connected transactions were approved by the Board of Directors;

(2) the non-exempt continuing connected transactions were in accordance with the pricing policies;

(3) the non-exempt continuing connected transactions were entered into in accordance with the terms of the Interbank Transactions Master Agreement; and

(4) the actual transaction amount of the non-exempt continuing connected transactions in the financial year of 2012 had not exceeded their respective caps.

(4) During the Reporting Period, the Transactions between the Bank and HSBC Group are as follows:

(1) As at 31 December 2012, the aggregate balance of deposits placed in and loans made to the HSBC Group by the Bank amounted to RMB2.865 billion, and the interest income arising from these deposits and loans were approximately RMB28 million in 2012.

(2) As at 31 December 2012, the aggregate balance of deposits placed in and loans made to the Bank by the HSBC Group amounted to RMB16.769 billion, and the interest expense arising from these deposits and loans were approximately RMB0.152 billion in 2012.

The transactions set out in items (1) and (2) above are exempt from complying with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(1) or Rule 14A.65(4) of the Hong Kong Listing Rules.

24. NON-EXEMPTED CONNECTED TRANSACTIONS

To satisfy the Bank's needs of the sustainable and stable business development to better serve the real economy, as well as to meet the increasingly stringent regulatory requirements, the Bank completed the non-public issuance of 6,541,810,669 new A shares and 5,835,310,438 new H shares in 2012.

In the process of non-public issuance of new A shares and new H shares, HSBC and SSF, the substantial shareholders and connected persons of the Bank, signed subscription agreements with the Bank on 15 March 2012, to subscribe for certain number of new A shares and/or new H shares. Further details of the subscription agreements are set out below:

(1) The HSBC Subscription Agreement

Date	15 March 2012
Transaction party	The Bank and HSBC
Subscription price and the number of shares subscribed	HSBC subscribes for 2,355,939,435 new H shares in cash at the subscription price of HKD5.63 per new H share, representing a total subscription amount of approximately HKD13,263.94 million.
Payment of subscription price and completion	After all the conditions of the HSBC Subscription Agreement are satisfied, the Bank shall as soon as reasonably practicable provide HSBC with a written notice, setting out the date and time of completion of the subscription (which shall be the third business day following the date of such written notice and which shall be the same date on which the Bank shall issue and allot new H Shares to the other subscribers), the number of new shares to be subscribed for by HSBC, the subscription price per H share, the total subscription monies payable by HSBC and details of the account designated for direct transfer of the subscription monies by HSBC to the Bank. HSBC agrees to make full payment of the subscription amount in immediately transferable funds by direct transfer to the bank account designated by the Bank as specified in the aforementioned written notice upon completion of the subscription.

If HSBC fails to make payment of the subscription price under the HSBC Subscription Agreement, HSBC shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If such amount of liquidated damages is insufficient to compensate the Bank for its losses, claims and expenses arising out of the default of HSBC, HSBC shall be liable to the Bank for any shortfall. If the Bank fails to allot and issue the new H shares to HSBC upon full payment of the subscription price by HSBC, the Bank shall return the subscription price to HSBC and shall be liable to pay HSBC 1% of the subscription price as liquidated damages. If such amount of liquidated damages is insufficient to compensate HSBC for its losses, claims and expenses arising out of the default of the Bank, the Bank shall be liable to HSBC for any shortfall.

In the event that completion under the HSBC Subscription Agreement does not take place on the expiry date of the effective period of the shareholders' resolution approving the proposed non-public issuance of A shares and H shares (being 12 months from the date such resolution is passed), either party to the HSBC Subscription Agreement shall be entitled to terminate the HSBC Subscription Agreement by written notice to the other party and the HSBC Subscription Agreement and all rights and obligations of the parties hereunder shall cease and terminate save for accrued rights and obligations.

Lock-up arrangement

Pursuant to the HSBC Subscription Agreement, HSBC undertakes not to sell, transfer or otherwise dispose of the new H shares subscribed for within three months from the date of completion of the non-public issuance of A shares and H shares.

(2) SSF A Share Subscription Agreement and H Share Subscription Agreement

Date	15 March 2012
Transaction party	The Bank and SSF
Subscription price and the number of shares subscribed	SSF subscribes for 1,877,513,451 new A shares in cash at the subscription price of RMB4.55 per new A share, representing a total subscription amount of approximately RMB8,542.69 million. SSF subscribes for 1,405,555,555 new H shares in cash at the subscription price of HKD5.63 per new H share, representing a total subscription amount of approximately HKD7,913.28 million.
Payment of subscription price and completion under the SSF A Share Subscription Agreement	After all the conditions of the SSF A Share Subscription Agreement are satisfied, the Bank shall as soon as reasonably practicable provide SSF with a subscription notice, setting out the number of new shares to be subscribed for by SSF, the subscription price per A share, the total subscription monies payable by SSF, the date of payment and details of the account designated for direct transfer of the subscription monies by SSF to the Bank. Completion of the subscription of new A Shares by SSF pursuant to the SSF A Share Subscription Agreement shall take place after the payment of the subscription monies by SSF and upon the completion of capital verification and share registration. If SSF fails to make payment of the subscription price under the SSF A Share Subscription Agreement, SSF shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If the Bank fails to allot and issue the new A Shares to SSF upon full payment of the subscription price by SSF, the Bank shall return the subscription price to SSF and shall be liable to pay SSF 1% of the subscription price as liquidated damages. In the event that the completion of the proposed placing by the Bank does not take place on the expiry date of the effective period of the shareholders' resolution approving the proposed non-public issuance of A shares and H shares (being 12 months from the date such resolution is passed), either party to the SSF A Share Subscription Agreement shall be entitled to terminate the SSF A Share Subscription Agreement by written notice to the other party.

Payment of subscription price and completion under the SSF H Share Subscription Agreement	After all the conditions of the SSF H Share Subscription Agreement are satisfied, the Bank shall as soon as reasonably practicable provide SSF with a written notice setting out the date and time of completion of the subscription, the number of new shares to be subscribed for by SSF, the subscription price per H share, the total subscription monies payable by SSF and details of the account designated for direct transfer of the subscription monies by SSF to the Bank. SSF agrees to make full payment of the subscription amount in immediately transferable funds by direct transfer to the bank account designated by the Bank as specified in the aforementioned written notice upon completion of the subscription for the new H shares. If SSF fails to make payment of the subscription price under the SSF H Share Subscription Agreement, SSF shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If the Bank fails to allot and issue the new H shares to SSF upon full payment of the subscription price by SSF, the Bank shall return the subscription price to SSF and shall be liable to pay SSF 1% of the subscription price as liquidated damages. In the event that completion under the SSF H Share Subscription Agreement does not take place on the expiry date of the effective period of the shareholders' resolution approving the proposed non-public issuance of A shares and H shares (being 12 months from the date such resolution is passed), either party to the SSF H Share Subscription Agreement shall be entitled to terminate the SSF H Share Subscription Agreement by written notice to the other party and the SSF H Share Subscription Agreement and all rights and obligations of the parties hereunder shall cease and terminate save for accrued rights and obligations.
Lock-up arrangement	Pursuant to the SSF A Share Subscription Agreement and applicable PRC laws and regulations, SSF agrees not to transfer the new A shares subscribed for within 36 months from the date of completion of the proposed non-public issuance of A shares and H shares. In addition, pursuant to the SSF H Share Subscription Agreement, SSF undertakes not to sell, transfer or otherwise dispose of the new H shares subscribed for within three months from the date of completion of the proposed non-public issuance of A shares and H shares.

According to the Hong Kong Listing Rules, the issuance of shares to the above connected persons constitutes non-exempted connected transactions, which are subject to reporting, announcement and independent shareholders' approval requirements. The resolutions in relation to the non-public issuance of new A shares and new H shares to the aforementioned connected persons have been considered and approved by Independent Shareholders at the Extraordinary General Meeting of the Bank held on 9 May 2012. Upon the approval from the relevant regulatory authorities, the Bank has completed the non-public issuance of new A shares and new H shares on 24 August 2012.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in Note 42 to the Consolidated Financial Statements that constitutes the connected transaction or continuing connected transaction that need to be disclosed under the Hong Kong Listing Rules. Regarding to the connected transaction and continuing connected transaction, the Bank has complied with the disclosure requirements as specified from time to time under the Hong Kong Listing Rules.

25. USE OF PROCEEDS FROM PUBLIC OFFERINGS IN PREVIOUS THREE YEARS

In June 2010, the Bank executed an A and H shares rights issue domestically and overseas, involving the issuance of 3,805,587,475 A shares and the issuance of 3,459,670,220 H shares which raised total net proceeds of approximately RMB32.356 billion. All the above proceeds raised by the Bank were used to enhance the capital base of the Bank.

26. WORK PERFORMED BY THE AUDIT COMMITTEE AND PERSONNEL AND REMUNERATION COMMITTEE

The work performed by the Audit Committee and the Personnel and Remuneration Committee of the Bank is set out in the "Corporate Governance Report" of this Annual Report.

27. AUDITORS

The Group's financial statements for the year 2012 prepared in accordance with China Accounting Standards were audited by Deloitte Touche Tohmatsu CPA LLP, while the Group's financial statements for the year 2012 prepared in accordance with International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu.

By order of the Board of Directors
Mr. Hu Huaibang
Chairman
27 March 2013, Shenzhen, PRC

Report of the Supervisory Committee

In 2012, in accordance with the requirements of the Company Law and the Bank's Articles of Association etc., the Supervisory Committee had been monitoring the Board of Directors' execution of resolutions approved at Shareholders' General Meetings and other decisions made within the Board's authority. The Supervisory Committee also monitored Senior Management's implementation of resolutions approved at Shareholders' General Meetings and the Board of Directors meetings as well as the business activities Senior Management carries out within its authority. Aimed at establishing excellent corporate governance, safeguarding Shareholders' interests, supporting scientific development, centreing at financial supervision, focusing on performance of duties and supervision, basing on supervision of operation in compliance with laws and regulations and directing by supervision of comprehensive risk and internal control management, all of the Supervisors executed their duties.

1. MAIN RESPONSIBILITIES OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee fulfilled its supervisory responsibilities through Supervisory Committee meetings, discharge of duties review and seminars, discharge of duties assessments; attendance at Shareholders' General Meetings, Board of Directors' meetings, and Special Committees' meetings; participation in annual, semi-annual and quarterly working conference, meetings of the President's office, supervision joint conferences and financial auditing conference. It also received work progress reports from Senior Management and the relevant branches and department, carried out on-site inspections and investigations, and reviewed financial information such as periodic reports, analysed business data, and reviewed internal and external investigation reports. The Supervisory Committee had performed its duties in an effective and diligent manner and had comprehensively carried out its supervisory duties.

(1) Continuous enhancement of its role in supervision and discharge of duty. The Supervisory Committee prepared the "Supervisory Committee's Appraisal of the Discharge of Duties by the Board of Directors and Senior Management for 2012" and the "Supervisory Committee's Appraisal of the Discharge of Duties by the Special Committees of Board of Directors for 2012" by conducting interviews with all Directors and Senior Management, holding seminars and performing discharge of duties assessments of general managers of some branches, the heads of departments of the Bank, and all of the Supervisors, and reviewing annual discharge of duty reports for individual Directors and Senior Management, as well as based on the investigation of supervisory committee and results of its daily supervision. In addition, the Supervisory Committee put forward suggestions on the basis of comprehensive assessment of the work of the Board of Directors and Senior Management for 2012 and submitted the results to the CBRC. It also completed the "Summary Report of Discharge of Duty Appraisal for 2012" for the Board of Directors and Senior Management on the basis of the opinions and suggestions on the Bank's development put forward by individual Directors and Senior Management, which pointed out the immediate issues in development from various perspectives and was reported to the Board of Directors and Senior Management. In addition, it completed the "Discharge of Duty Appraisal for 2012" for individual Directors and Senior Management, the result of which was reported to the Shareholders' general meeting.

(2) Diligent discharge of financial supervisory duties. During the Reporting Period, the Supervisory Committee diligently reviewed the financial information such as periodic reports, investment plans of fixed asset, management accounts report and the profit distribution plan. Aimed at the problem of a rather fast increase of overdue interests in the recent years, it also analysed the reasons of increasing rebound pressure of non-performing assets through comparing with historical and industrial data. It suggested further optimisation of credit structure especially the credit volume, strict post-loan management and long-term mechanism of complete risk control. Focusing on the banking and wealth management business's risk exposure, the Supervisory Committee analysed the product research and management and the problem regarding accounting and auditing, so as to make suggestions to regularize the work flow of new product development, evaluate and assess the risk of business in a timely manner and accelerate the construction of system management. To handle the problems of "transferring interest to expenses" of branches, the Supervisory Committee proposed that the accounting of financial advisory fees should be settled and push ahead intermediate business to develop healthy. In addition, it analysed the reasons of the relatively low income-cost ratio compared to the industry and put forward that the Bank should strive to increase income as well as cut costs, in order to strengthen the inner power of sustainable development.

(3) Continued to strengthen the supervision of the internal risk management and other important matters. On the Supervisory Committee's meeting, the Committee reviewed "Report on 2011 Internal Control Review", as well as topic focused special reports of included lawsuit prevention, wealth management products, and offshore business. It also supervised the precautions and resolutions of four major risks in platform financing, real estate loans, wealth management business, and shadow banking system proposed by the CBRC. To pay attention to the responsibility and investigation of overseas branches' asset loss, and follow up on the improvements after collecting internal and external examination reports. In response to the Bank's market risk management issues, caused by interest rate deregulation, the Committee advised the Bank to take measures which included expanding the scope of market risk management from treasury operations to traditional business such as deposits and loans, unifying operation of market risk management, utilising the daily monitoring function of middle large office, and improving market risk quota management. In response to the increasing amount of money involved and rising frequency of banking industry's lawsuits, the Committee spotted the problems in three aspects — "people, law, and technology" — after analysing the Bank's status, found the thrust of the problem, and advised the Bank to perfect its policy building, strengthen process management, and enhance the capability of lawsuit prevention. The Committee provided improvement advices regarding the problems of identifying and the statistic of related party transactions manually and that the information provided by the connected parties are not compatible.

(4) Actively accelerated business development. In the intensely competitive environment, it suggested that the Bank should proactively adjust and optimise industry ecosystem, create innovative business mode, centralise advantageous resources, take appropriate actions and inactions, and enhance business strategy and shape brand characteristics in order to enhance the development of the Bank's differentiation. To resolve the problems of the outstanding amount of the current deposit was lower than the benchmark banks, stagnating market share of deposit business and rather defective customer structure, it suggested that the Bank should make improvement from aspects of customer base, product competitiveness, services quality, team and channel building. The Bank's offshore financing centre served as profit centre and transfer platform of overseas funds, also undertook the dual responsibilities for capital allocation management and proprietary trading. However, its capital allocation mechanism and risk diversification remained unsolved. It suggested that the offshore financing centre should be served as a profit centre and the Bank should establish the risk control system that relatively separates the front, middle and back office as soon as possible.

(5) Further perfect the work of the supervisory committee. According to the requirements of "Guidelines for the Supervisory Committee of Commercial Banks", to research for the improvement and strengthening of the Supervisory Committee's own system construction, conducted assessment to the work performance of the Supervisory Committee and discharge of duty of the Supervisors, and completed the "Report of Self-evaluation on Duties Performed by the Supervisory Committee for 2012". The Supervisory Committee strengthened the understanding of new changes in supervision policies by inviting experts to give lecture on Basel Accord III and capital management, and enhanced the capabilities of Supervisors in performing their duties by referring to information including the "Reference Message" and reviewing financial analysis reports. In addition, the Supervisory Committee also participated in the seminars and forums held by the Ministry of Finance, CBRC, CSRC, China Investment Corporation, Association of Chinese Listed Companies and Association of Shanghai Listed Companies so as to strengthen the external communication and expand their horizon, thus establishing a solid foundation of the Supervisory Committee in respect of the duty of Supervisory Committee.

The Board of Directors and Senior Management always highly valued and support every work done by the Supervisory Committee, and three team maintained smooth communication in depth. The Board of Directors, the Supervisory Committee and Senior Management worked under adequate coordination and at the same with checks and balances with each other, which further pushed ahead the continuous development corporate governance of the Bank in depth.

2. MEETINGS OF THE SUPERVISORY COMMITTEE

In 2012, the Supervisory Committee held four meetings on 26 and 28 March, 27 April, 30 August and 30 October. The Supervisory Committee was briefed by Senior Management on work progress report on 3 aspects, including the performance of prevention and control of lawsuits, risk control of wealth management business, as well as the operation and management of offshore business. During the meetings of the Supervisory Committee, 12 resolutions were considered and approved, including the “2011 Report of the Supervisory Committee”, a report presented during the Shareholders’ General Meeting.

(1) With regard to the monitoring of discharge of duties, the Supervisory Committee considered and approved the “Opinion of the Supervisory Committee on the Discharge of Duty by the Board of Directors and Senior Management in 2011”.

(2) With regard to the monitoring of revenue and expenditures, the Supervisory Committee considered and approved the following six reports: “2011 Annual Report”, “2011 Management Accounts”, “2011 Profit Distribution Plan”, “2012 First Quarterly Results Announcement”, “2012 Interim Report”, and “2012 Third Quarterly Results Announcement”.

(3) With regard to the development of Supervisors, the Supervisory Committee considered and approved the following two reports: “2011 Report of Self-evaluation on Duties Performed by the Supervisory Committee” and “2012 Work Plan of the Supervisory Committee”.

In addition according to the regulatory requirement, the Supervisory Committee considered and approved the “2011 Internal Control Self-Appraisal Report”, and the “2011 Corporate Social Responsibility Report”, etc.

The Performance and Due Diligence Committee of the Supervisory Committee held three meetings and discussed the “Opinion of the Supervisory Committee on the Discharge of Duty by the Board of Directors and Senior Management in 2011”, and summary of interviews with Directors and Senior Management.

The Nomination Committee of the Supervisory Committee held two meetings and approved the “2012 Work Plan of the Nomination Committee of the Supervisory Committee”, discussed “2011 Appraisal Report of Discharge of Duty by the Supervisory Committee”.

The Financial and Internal Control Committee of the Supervisory Committee held three meetings and discussed the “2012 Work Plan of the Financial and Internal Control Committee of the Supervisory Committee”, periodic financial reports, profit distribution plan, and “2011 Internal Control Self-Appraisal Report”, etc.

Attendance at the Supervisory Committee meetings by Supervisory Committee members

Members of the Supervisory Committee	Attendance in person	Attendance Percentage (%)
Hua Qingshan	4/4	100
Jiang Yunbao	4/4	100
Jiang Zuqi	4/4	100
Gu Huizhong	2/4	50
Guo Yu	3/4	75
Yang Fajia	4/4	100
Chu Hongjun	3/4	75
Li Jin	3/4	75
Yan Hong	3/4	75
Liu Sha	4/4	100
Chen Qing	4/4	100
Shuai Shi	3/4	75
Du Yarong	4/4	100
Average in person attendance percentage		**86.54**

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

(1) Truthfulness of the financial statements

The financial statements present, truly and fairly, the financial position and operating results of the Group.

(2) Use of proceeds

During the Reporting Period, the Bank raised approximately RMB56.295 billion through the non-public issuance of A and H shares. It was used to refill the Bank's core capital in order to increase the capital adequacy ratio, and maintain the continuous and stable development of all business, which is consistent with what the Bank had promised.

(3) Acquisition and disposal of assets

During the Reporting Period, pursuant to the approval from CBRC, the Bank, with 7 enterprises located in Qingdao, including Qingdao Shancheng Investment and Advisory Ltd., and Qingdao Sizhuang Investment and Advisory Ltd. set up Qingdao Laoshan Bocom Rural Bank with RMB0.15 billion registered capital. The Bank contributed RMB76.5 million, accounting for 51% of registered capital.

During the Reporting Period, pursuant to the approval from CBRC and CIRC, the Bank made a capital injection of RMB0.625 billion into BocommLife. After the capital injection, the Bank's proportion of shareholding remains unchanged at 62.5%, and the registered capital of BocommLife increased from RMB0.5 billion to RMB1.5 billion.

The Supervisory Committee is not aware of any acquisition or disposal of assets by the Bank which may harm the interest of the shareholder or which may cause impairment to the Bank's assets.

(4) Related party transactions

During the Reporting Period, the Supervisory Committee was not aware of any related party transactions entered into by the Bank that would damage the interest of the Bank or its shareholders.

(5) The auditors' report

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have issued unqualified audit reports on the financial position and operating results of the Group in 2012 and the Supervisory Committee has no objection to the report.

(6) The execution of the resolutions of the Shareholders' General Meetings

The Supervisory Committee has no objection to the proposals submitted to the Shareholders' General Meetings and considered that the Board of Directors well performed the resolutions of the Shareholders' General Meetings.

(7) Implementation of information disclosure

During the Reporting Period, the Bank proactively invited the supervision by the public. The Supervisory Committee has not identified any false records, misleading statements or material omissions.

(8) Internal control system

During the Reporting Period, the Bank attached significant importance to the development of its internal control system, with continuous enhancement made to perfect its internal control systems and management ability. The Supervisory Committee has no objection to the "Internal Control Self-Appraisal Report for 2012" of the Bank.

(9) The performance of performing social responsibility

During the Reporting Period, the Bank vigorously performed its corporate social responsibility. The Supervisory Committee had no objection to the "Corporate Social Responsibility Report for 2012" of the Bank.

(10) Compliance with applicable laws

During the Reporting Period, the Bank undertook its business pursuant to applicable laws and its decision-making process was in compliance with relevant laws, regulations and the Bank's Articles of Association. The Board of Directors and Senior Management were diligent, hardworking, proactive, prudent and practical and no instances of any breach of laws or regulations which would damage the interests of the Bank and shareholders have been identified. The Supervisory Committee evaluated the discharge of duties performed by Directors for the year of 2012, in accordance with the "Guidelines of Supervisory Committee of Commercial Bank" and "Guidelines of Method on Duty Appraisal of Directors of Commercial Banks (Provisional)" issued by the CBRC, the "Guidelines of Appointment and Behaviour of Directors in Listed Companies" issued by Shanghai Stock Exchange and the "Supervision of the Supervisory Committee over Senior Management and members of the Board of Directors" issued by the Bank. As at 31 December 2012, there were 23 incumbent Directors and Senior Management at the Bank. The Supervisory Committee did not evaluate one newly-appointed Director due to the appointment was less than six months from the effective date. In accordance with the "Guidelines of Supervisory Committee of Commercial Bank", the evaluation of the other 22 Directors and Senior Management are divided into three categories: "competent, basic competent and incompetent". The results of 21 Directors were evaluated at "competent" and one other at "basic competent".

The Bank diligently implemented the central government's macroeconomic control policy. Surrounding the theme of "stabilise development; promote transformation; control risks; carry out reform; and enhance profitability", the Bank moved forward with the set strategy to advance the "Second Round of Reform", perfected the comprehensive risk management systems, strived to improve the innovation ability and service level, and maintained the stable development of every business. Facing a complex global economic and domestic economic and financial environment, the Bank shall adhere to the "BoCom Strategy", will continue to deepen its reform, and speed up its adjustment of structure and development transformation. The Bank shall strengthen budget management, optimise performance assessment, vigorously expand the area of non-credit business, and upgrade its capital management capabilities. In addition, the Bank shall strengthen its comprehensive risk management, advance the check and control of risk in the key sectors such as steel retail loans, wealth management products and off-balance sheet activities, upgrading the Bank's ability of prudent development in the economic downturn.

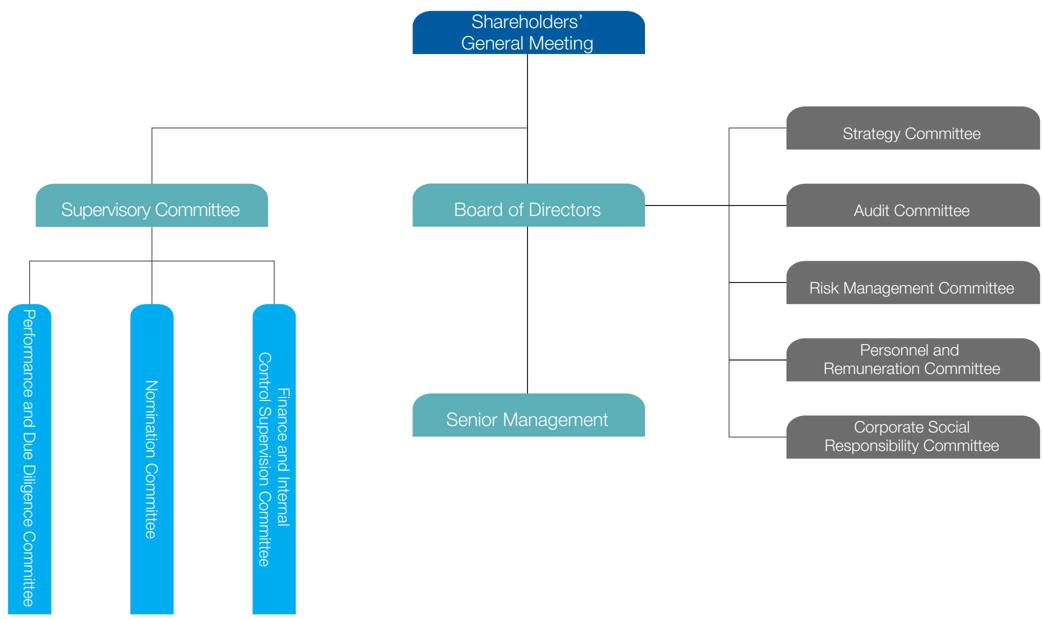
Corporate Governance Report

A sound corporate governance is critical for sustainable development and prudent operation of a commercial bank. The Bank always adheres to enhance structured, normative and efficient corporate governance as key initiatives in order to promote reform and development and is committed to developing a modern corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and Senior Management with clear responsibilities, and standard and efficient operation. The Bank's corporate governance fully complied with the Company Law, Securities Law and other requirements of the CSRC. The Directors of the Bank confirmed that, save as disclosed in this Corporate Governance Report, the Bank has fully complied with the principles and code provisions stipulated in Appendix 14 to the Hong Kong Listing Rules — the Corporate Governance Code and the Code on Corporate Governance Practices which was in force before 1 April 2012, and has also followed most of the best recommended practices for the year ended 31 December 2012.

In 2012, the Group fully complied with the Company Law and other laws as well as domestic and overseas regulatory rules, protected the legitimate rights and interests of shareholders and other stakeholders, promoted the "BoCom strategy", made full use of capital's role of promotion and restriction in the operation and management, strengthened risk management and internal control, thereby achieving a well-established internal control system which is carried out efficiently. The Bank actively managed the market value, continued promoting transparency of information disclosure and established a long-term mechanism to fulfill the corporate social responsibility.

1. CORPORATE GOVERNANCE STRUCTURE

The Bank has established an effective, balanced and independent corporate governance structure, with clearly defined roles and responsibilities for the Shareholders' General Meetings, Board of Directors, Supervisory Committee and Senior Management.



2. CORPORATE GOVERNANCE SYSTEM CONSTRUCTION

The Bank has completed the related rectification work on governance activities of listed companies, please refer to "the Report of Continuous Improvement of Corporate Governance of Bank of Communications Co., Ltd." published on the website of the Shanghai Stock Exchange on 25 July 2008. During the Reporting Period, the Bank actively looked for gap according to the requirements of the previous corporate governance rectification works, and continued to promote the system of construction to improve the corporate governance. During the Reporting Period, the Bank amended and adopted the following rules and regulations:

1. Pursuant to the relevant provision of "Further Matters Related to the Implementation of the Cash Dividends of Listed Companies" issued by CSRC, the Bank considered its own actual situation, amended the Articles of Association on the profit distribution polices of the Bank and established a stable and predictable cash dividend mechanism. Furthermore, in accordance with the relevant regulatory requirements and the needs of work practices, the Bank also amended Articles of Association on the responsibility of Independent Directors, business scope and others. The amendment will be submitted for approval at the 2012 Annual General Meeting.

2. Pursuant to the requirements for the duties of the Special Committees of the Board of Directors of the latest "Corporate Governance Code" as amended by the Hong Kong Stock Exchange, the Bank amended the "Code of Practice of Strategy Committee", the "Code of Practice of Audit Committee" and the "Code of Practice of Personnel and Remuneration Committee".

3. To implement the requirements of the regulatory authorities continuing to strengthen the efforts to eliminate insider trading, to further standardise the confidentiality management of the bank insider information, and to enhance the operability of the insider information management, the Board of Directors developed the "Insider Registration Policy of Bank of Communications Co., Ltd."

4. The Bank attached great importance to investor relations management system and continuously improved management rules and regulations of the investor relations system. Pursuant to the relevant regulatory requirements, in the light of best domestic and overseas practice standards, combined with the concrete practice of investor relations management since listing, the Board formulated the "Measures for Investor Relations Management".

3. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

As at 31 December 2012, the total issued share capital of the Bank was 74,262,726,645 shares, consisting of 52.85% A shares and 47.15% H shares. There is no controlling shareholder in the Bank. The largest shareholder, the Ministry of Finance, and the second largest shareholder, HSBC, held 26.53% and 19.03% equity interest in the Bank respectively. The Bank is independent from all shareholders in terms of its business, employees, assets, institutions and finance, and possesses independent and complete autonomy over its business and operations. Pursuant to the Articles of Association, the shareholders have the right to obtain relevant information, including the Articles of Association, the share capital, minutes of the Shareholders' General Meeting, resolutions of the Board of Directors' meeting, and resolutions of the Supervisory Committee meeting. Shareholders also can inquire the Board of Directors through the contact information on the page of 6 under the "Investor Services" section within this Annual Report.

The Shareholders' General Meeting is the highest authority of the Bank. The shareholders who individually or jointly holding more than 10% of the voting shares of the Bank have the right to request in written form to convene the Extraordinary General Meeting. The shareholders who individually or jointly holding more than 3% of the voting shares of the Bank have the right to make proposals to the Shareholders' General Meeting in written form. The Bank takes effective measures, including online voting technique, to facilitate Shareholders' participation, and ensures that shareholders can exercise their rights. Each matter which was independent by nature was put forward by a separate proposal and voted by poll in the General Meetings.

During the Reporting Period, the Bank held two Shareholders' General Meetings and all resolutions passed at the Shareholders' General Meetings have been fully executed. The voting results announcements for all the Shareholders' General Meetings have been published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank, as well as in China Securities Journal, Shanghai Securities News and Securities Times.

1. On 9 May 2012, the Bank held the 2012 First Extraordinary General Meeting in Shanghai with various voting measures including on-site voting and online voting. Proposals such as "Proposal in respect of the General Mandate by the General Meeting to the Board of Directors to Issue New A Shares and New H Shares", "Proposal in respect of the Non-public Issuance of A Shares and H Shares", "Proposal in respect of the Compliance with the Conditions for the Non-public Issuance of A Shares", "Proposal in respect of the Feasibility Report on Use of Proceeds from the Non-public Issuance", "Proposal in respect of the Report on Utilisation of Proceeds from Previous Funding Raising", "Proposal in respect of the Connected Transactions in connection with the Proposed Non-public Issuance of Shares", "Proposal in respect of the Authorisation from the General Meeting to the Board in connection with the Proposed Non-public Issuance of Shares", "Proposal in respect of the Amendments to the Capital Management Plan for the Years 2010–2014", "Proposal in respect of the Bank's 2011 Audited Accounts" and "Proposals in respect of the Bank's 2011 Profit Distribution Plan" were considered and approved at the meeting.

2. On 28 June 2012, the Bank held 2011 Shareholders' Annual General Meeting in Shanghai. Proposals such as "2011 Annual Report of the Board of Directors of Bank of Communications Co., Ltd.", "2011 Annual Report of the Supervisory Committee of Bank of Communications Co., Ltd.", "2011 Remuneration Plan for Directors and Supervisors of Bank of Communications Co., Ltd.", "2012 Fixed Assets Investments Plan of Bank of Communications Co., Ltd.", "Proposal in respect of the Re-appointment of Auditors for the Year of 2012, "Proposal in respect of the Appointment of Ms. Yu Yali as an Executive Director", "Proposal in respect of Re-election of Mr. Jiang Yunbao as an External Supervisor", "Proposal in respect of the General Mandate by the General Meeting to the Board of Directors to Issue New A Shares and New H Shares", "Proposal in respect of the Amendments to the Authorisation to the Board by General Meeting" were considered and approved at the meeting.

Attendance at the Shareholders' General Meetings by Board's members during the Reporting Period is as follows:

Directors	Attendance	Attendance percentage
Executive Directors		
Hu Huaibang	1/2	50%
Niu Ximing	2/2	100%
Qian Wenhui	2/2	100%
Wang Bin[1]	/	/
Yu Yali[2]	/	/
Non-executive Directors		
Zhang Jixiang	2/2	100%
Hu Huating	2/2	100%
Du Yuemei	2/2	100%
Peter Wong Tung Shun	0/2	0%
Anita Fung Yuen Mei	0/2	0%
Ma Qiang	1/2	50%
Lei Jun	0/2	0%
Independent Non-executive Directors		
Eric Li Ka-cheung	1/2	50%
Gu Mingchao	2/2	100%
Wang Weiqiang	1/2	50%
Peter Nolan	1/2	50%
Chen Zhiwu	0/2	0%
Choi Yiu Kwan	2/2	100%

Note:

1. Mr. Wang Bin resigned as the Executive Director, Vice President and member of the Strategy Committee of the Bank in March 2012 (same applies hereinafter). During his term in 2012, no Shareholders' General Meeting was held.
2. Ms. Yu Yali was appointed as an Executive Director and member of the Strategy Committee of the Bank. Her qualification as an Executive Director was approved by the CBRC in August 2012, Ms. Yu Yali also served as the Vice President and Chief Financial Officer of the Bank (same applies hereinafter). During her term in 2012, no Shareholders' General Meeting was held.
3. During the Reporting Period, several Directors failed to attend the Shareholders' General Meetings due to business reasons, but they had asked for the information from the Bank relating to the Shareholders' General Meeting and the enquiries and recommendations made by the shareholders at the Shareholders' General Meeting after such meetings. They understood that they have the responsibility to attend the Shareholders' General Meeting and listen to the opinions from the shareholders, and will endeavour to actively participate in the Shareholders' General Meeting in the future.

4. BOARD OF DIRECTORS AND SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

(1) Responsibilities of the Board of Directors

The Board of Directors is the strategic decision-making body of the Bank and reports to the Shareholders' General Meeting. Moreover, it performs its duties within the terms of reference as stipulated under the laws, regulations and the Articles of Association, and as approved by the Shareholders' General Meetings, to protect the legal interests of the Bank and its shareholders. Its main responsibilities include convening Shareholders' General Meetings and reporting on the Bank's performance at such meetings, executing the resolutions approved at the Shareholders' General Meetings and formulating the Bank's business plans and investment strategies. The Board of Directors also listens to the report of the President and reviews and monitors his performance.

All Directors of the Bank are committed to fulfilling their responsibilities, performing their duties and protecting the interests of the company, and improving the standards of the Board's practices, and displaying a high level of professionalism and competence. The Board of Directors diligently follow the "The Authorisation to the Board by the Shareholders' General Meeting", and comply with laws and regulations when making important decisions. During the Reporting Period, the Board focused on 7 key areas: first, strengthened the strategic management functions, accelerated the formulation of "Implementation of the 'BoCom Strategy' of the Bank for Year 2013–2015", gradually established a clear division of responsibility system of the strategy along with the strategic management process; second, made full use of the capital's role of promotion and restriction in operation and management, studied and formulated "Capital Management Plan of the Bank (Provisional)", proposed objectives, requirements and measures to lay the institutional foundation for continuing to improve capital management; third, completed the non-public issuance of A shares and H shares to replenish the core capital, significantly enhanced the Bank's capital strength, and laid a solid foundation for the stable business development and to better serve the real economy in the future; fourth, promoted the "Second Round of Reform", persisted in reform and innovation to promote the restructuring and development, improved the institutional mechanisms of the operation and management, so as to support the development of real economy; fifth, strengthened the system of risk management framework and the implementation of rules and regulations to ensure stable business operations; sixth, actively participated in market value management, continued to strengthen the communication with investors and enhanced the transparency of information disclosure with various measures; seventh, actively fulfilled the social responsibility to maximise the value of the company.

(2) Composition of the Board of Directors

As at the end of 2012, the Sixth Session of the Board of Directors comprised 17 members with their term of office ending on the date of 2012 Annual General Meeting of the Bank. The Board of Directors includes four Executive Directors, namely Mr. Hu Huaibang, Mr. Niu Ximing, Mr. Qian Wenhui, and Ms. Yu Yali; seven Non-executive Directors, namely Mr. Zhang Jixiang, Mr. Hu Huating, Ms. Du Yuemei, Mr. Peter Wong Tung Shun, Ms. Anita Fung Yuen Mei, Mr. Ma Qiang and Mr. Lei Jun; six Independent Non-executive Directors, namely Mr. Gu Mingchao, Mr. Eric Li Ka-cheung, Mr. Wang Weiqiang, Mr. Peter Nolan, Mr. Chen Zhiwu and Mr. Choi Yiu Kwan. The number of the Independent Non-executive Directors of the Bank accounted for one-third of the total number of Directors, which met the relevant regulatory requirements. Please refer to the "Directors, Supervisors, Senior Management and Human Resource Management" section in this Annual Report for biographical details of the Directors. Their individual profiles are also available on the Bank's website.

The Chairman of the Board of Directors is Mr. Hu Huaibang. Mr. Niu Ximing serves as the Vice Chairman of the Board of Directors and President of the Bank. The roles and responsibilities of the Chairman and President are independent from each other and, which have been clearly defined.

(3) The Board of Directors' Meetings

The Bank has developed the "Procedural Rules of the Board of Directors' Meeting" to clearly outline matters in respect of the requirements for convening and giving notice for a meeting, the procedures, agenda and minutes of the meeting and so on. During the Reporting Period, the Board of Directors held eight meetings (including six on-site meetings and two meeting via circulation of written resolutions) and passed 63 resolutions. All the aforementioned meetings were held in compliance with the Articles of Association, the "Procedural Rules of the Board of Directors' Meetings", and provisions of the "Corporate Governance Code".

The summary of attendance at the meetings of the Board of Directors during the Reporting Period is as follows:

Director	Attendance at Meetings	Attendance Percentage (%)	Attendance at Meetings in Person	Attendance in Person Percentage (%)
Executive Directors				
Hu Huaibang	8/8	100	8/8	100
Niu Ximing	8/8	100	7/8	87.5
Qian Wenhui	8/8	100	8/8	100
Wang Bin	2/2	100	2/2	100
Yu Yali	2/2	100	2/2	100
Non-executive Directors				
Zhang Jixiang	8/8	100	8/8	100
Hu Huating	8/8	100	8/8	100
Du Yuemei	8/8	100	8/8	100
Peter Wong Tung Shun	8/8	100	5/8	62.5
Anita Fung Yuen Mei	8/8	100	6/8	75
Ma Qiang	8/8	100	7/8	87.5
Lei Jun	8/8	100	6/8	75
Independent Non-executive Directors				
Eric Li Ka-cheung	8/8	100	6/8	75
Gu Mingchao	8/8	100	8/8	100
Wang Weiqiang	8/8	100	8/8	100
Peter Nolan	8/8	100	7/8	87.5
Chen Zhiwu	8/8	100	6/8	75
Choi Yiu Kwan	8/8	100	8/8	100
Average attendance percentage		**100**		**89.4**

(4) Board Committees

The Board has set up five Committees, being the Strategy Committee, the Audit Committee, the Risk Management Committee, the Human Resource and Management Committee and the Social Responsibility Committee. The discharge of duty of the respective Committees is summarised as follows:

1. Strategy Committee. The Strategy Committee is primarily responsible for inspecting and assessing of the implementation of the corporate governance system, research and analysis of the business objectives, formulating the medium-and-long term development planning, major equity investment program and capital management of the Bank.

   As at the end of 2012, the Strategy Committee comprised five members, including Mr. Hu Huaibang, Mr. Niu Ximing, Mr. Qian Wenhui, Ms. Yu Yali and Mr. Peter Wong Tung Shun. Mr. Hu Huaibang serves as the Chairman of the Strategy Committee. During the Reporting Period, the Strategy Committee held six meetings and discussed on subjects including non-public issuance of A shares and H shares, "Capital Management Plan for Year 2012-2015", "Operational Development Plan of Overseas Branches for Year 2013-2015", "Capital Adequacy Plan for 2013–2018", and the replenishment of capital for subsidiaries, and presented its recommendations to the Board of Directors. The summary of attendance at the meetings of the Strategy Committee is as follows:

Strategy Committee Member	Attendance	Attendance Percentage
Hu Huaibang (Chairman)	6/6	100%
Niu Ximing	6/6	100%
Qian Wenhui	6/6	100%
Wang Bin	1/1	100%
Yu Yali	2/2	100%
Peter Wong Tung Shun	6/6	100%
Average attendance percentage		**100%**

2. Audit Committee. The Audit Committee is mainly responsible for proposing the appointment, change or removal of the Bank's auditors, supervising the Bank's internal audit rules and the implementation of such rules, acting as the communication channel between the Bank's internal and external auditors, reviewing the Bank's financial information and related disclosures, overseeing the Bank's accounting policies, financial conditions and financial reporting procedures, and monitoring the implementation of the Bank's internal control. During the Reporting Period, the Audit Committee held four meetings with external auditors, and no issues raised by employees on the misconduct that had impact on the financial statements had been noted. As at the end of 2012, the Audit Committee of the Board of Directors comprised four members, including Independent Non-executive Directors Mr. Eric Li Ka-cheung, Mr. Gu Mingchao and Mr. Choi Yiu Kwan, and Non-executive Director Ms. Du Yuemei. The Independent Non-executive Director Mr. Eric Li Ka-cheung serves as the Chairman of the Audit Committee. The number of Independent Non-executive Directors accounted for more than half of the total number of the Audit Committee members.

   During the Reporting Period, the Audit Committee held four meetings and discussed on subjects including periodical reports and results announcements, financial statements, profit distribution plan and internal control assessment reports, as well as the appointment of external auditors and presented its recommendations to the Board of Directors. The summary of attendance at the meetings of the Audit Committee is as follows:

Audit Committee Member	Attendance	Attendance Percentage
Eric Li Ka-cheung (Chairman)	4/4	100%
Du Yuemei	4/4	100%
Gu Mingchao	4/4	100%
Choi Yiu Kwan	4/4	100%
Average attendance percentage		**100%**

3. Risk Management Committee. The Risk Management Committee is mainly responsible for supervising and controlling the Bank's credit, market, operational risks and compliance, performing periodic assessment on the Bank's risk exposure and tolerance and its risk management capabilities, reviewing significant fixed asset investments, asset disposals, asset pledges and external guarantees. It also presents its recommendations to the Board of Directors in relation to the possible enhancements on the Bank's risk management and internal controls. In addition, it is responsible for the management of connected

transactions, including monitoring and reviewing significant connected transactions as well as controlling the associated risks. As at the end of 2012, the Risk Management Committee comprised five members, including Independent Non-executive Directors, Mr. Wang Weiqiang, Mr. Peter Nolan and Mr. Chen Zhiwu and Non-executive Directors, Mr. Ma Qiang and Mr. Lei Jun. The Independent Non-executive Director, Mr. Wang Weiqiang, serves as the Chairman of the Risk Management Committee.

During the Reporting Period, the Risk Management Committee held seven meetings. In addition to reviewing the quarterly risk assessment reports, the Risk Management Committee also reviewed a number of important proposals, including non-public issuance of A shares and H shares, list of related legal person, list of related natural person, "Risk Management Plan for Year 2012–2015", "Policies on Risk Appetite Management", "Policies on Outsourcing Risk Management", "Polices on Risk Measurement System Management", and risk appetite system for the year 2012 and so on, and presented its recommendations to the Board of Directors. The summary of attendance at the meetings of the Risk Management Committee is as follows:

Risk Management Committee Member	Attendance	Attendance percentage
Wang Weiqiang (Chairman)	7/7	100%
Ma Qiang	7/7	100%
Lei Jun	7/7	100%
Peter Nolan	7/7	100%
Chen Zhiwu	7/7	100%
Average attendance percentage		**100%**

4. Personnel and Remuneration Committee. The Personnel and Remuneration Committee carries out its practice within the authorisation of the Board and its authority as approved by the Board and reports directly to the Board of Directors. The Board of Directors reserves the right of determining the remuneration plans for Executive Directors and Senior Management. The Personnel and Remuneration Committee is primarily responsible for formulating the remuneration and incentive plans for Directors, Supervisors and Senior Management according to the strategic plan and operational targets approved by the Board of Directors, presenting its remuneration plans to the Board of Directors and monitoring its implementation, as well as developing the criteria and procedures for nomination of Directors and Senior Management and performing initial assessments. The Personnel and Remuneration Committee of the Bank maintains the capacity of both a Nomination Committee and a Remuneration Committee, which effectively optimised

the Bank's corporate governance structure and improved the efficiency of the Bank's operation. As at the end of 2012, the Personnel and Remuneration Committee comprised four members, including Independent Non-executive Director, Mr. Gu Mingchao and Mr. Choi Yiu Kwan and Non-executive Director, Mr. Zhang Jixiang and Ms. Anita Fung Yuen Mei. The Independent Non-executive Director, Mr. Gu Mingchao, serves as the Chairman of the Personnel and Remuneration Committee. The number of Independent Non-executive Directors accounted for half of the total number of members of the Personnel and Remuneration Committee.

Pursuant to the Articles of Association and "Code of Practice of Personnel and Remuneration Committee", the Personnel and Remuneration Committee shall assess whether the nominates of Directors comply with the relevant requirements of the Company Law, Commercial Bank Law and other relevant laws, regulations and rules and submits the appointment proposal to the Board of Directors for further consideration and approval. During the Reporting Period, after the assessment by the Personnel and Remuneration Committee, the Board of Directors nominated Ms. Yu Yali, the Bank's Vice President and Chief Financial Officer as the Executive Director, which has been approved by the shareholders at the Shareholders' General Meeting.

During the Reporting Period, the Personnel and Remuneration Committee held four meetings to review a number of proposals, including the nomination of Directors, the appointment of Senior Management, the remuneration plan for Directors, Supervisors and Senior Management, and presented its advice to the Board of Directors. The summary of attendance at the meetings of the Personnel and Remuneration Committee is as follows:

Personnel and Remuneration Committee Member	Attendance	Attendance percentage
Gu Mingchao (Chairman)	4/4	100%
Zhang Jixiang	4/4	100%
Anita Fung Yuen Mei	4/4	100%
Choi Yiu Kwan	4/4	100%
Average attendance percentage		**100%**

(5) Social Responsibility Committee. The Social Responsibility Committee is primarily responsible for designing and formulating the Bank's social responsibility strategy and policy, monitoring, inspecting and evaluating the related implementation, and approving donations according to the authorisation approved by the Board of Directors. As at the year end of 2012, the Social Responsibility Committee comprised five members, Mr. Niu Ximing, Mr. Qian Wenhui, Mr. Hu Huating, Mr. Ma Qiang and Mr. Chen Zhiwu. Mr. Niu Ximing serves as the Chairman of the Committee. During the Reporting Period, the Social Responsibility Committee held two meetings and reviewed a number of proposals including the corporate social responsibility report, "Corporate Social Responsibility Policy" and "Green Credit Policy", and presented its advice to the Board of Directors. The summary of attendance at the meetings of the Social Responsibility Committee is as follows:

Social Responsibility Committee Member	Attendance	Attendance percentage
Niu Ximing (Chairman)	2/2	100%
Qian Wenhui	2/2	100%
Hu Huating	2/2	100%
Ma Qiang	2/2	100%
Chen Zhiwu	2/2	100%
Average attendance percentage		**100%**

(5) Independent Non-Executive Directors

There are currently six Independent Non-executive Directors at the Bank, the number and qualification of whom are in compliance with the domestic laws and regulations, as well as Rules 3.10(1), 3.10(2) and 3.10(A) of the Hong Kong Listing Rules. The independence of the Bank's Independent Non-executive Directors is well maintained as they do not have any business or financial interests in the Bank or its subsidiaries and they have not assumed any executive positions in the Bank. In addition, the Bank has received annual independence confirmation letters from all Independent Non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules. The Bank confirmed that each of the Independent Non-executive Directors is independent.

During the Reporting Period, the attendance of the Independent Non-executive Directors was 100% and the time they devoted to the work is in compliance with the requirements of the "Working Practice of Independent Directors" of the Bank. Currently, three Board Committees, being the Audit Committee, the Risk Management Committee and the Personnel and Remuneration Committee are chaired by Independent Non-executive Directors and the Independent Non-Executive Directors accounted for half, or more than half of the total committee members. These Independent Non-executive Directors actively participated in discussions during the Board meetings, thereby promoting objectivity in the Board's decision making process. In addition to attending Board meetings, each Independent Non-executive Director communicated with Senior Management regularly through various channels including on-site inspections and discussion sessions. The Independent Non-executive Directors have given their opinions on significant matters which arose during the Reporting Period, including connected transactions, nomination of Directors and appointment of Senior Management and had no objections to the resolutions of the Board of Directors or any other matters.

(6) The Training of Directors During the Report Period

During the Reporting Period, the Board of Directors vigorously organised all the Directors to attend trainings and inspections, continuously upgrading their execution ability of duty and strengthening the Board of Directors' function of strategic decision-making.

1) In compliance with the requirements of the regulatory authority, Mr. Ma Qiang attended the Shanghai Directors Training Courses held by Shanghai Securities Regulatory Bureau.

2) All the Directors attended a special training course with the topic of the implementation of "The Capital Management Measures" by CBRC on the on-site Board meetings.

3) The appointment of Ms. Yu Yali as an Executive Director was approved by CBRC in August 2012. The Bank will arrange relevant director training course for Ms. Yu Yali to comply with the requirement stipulated in the Hong Kong Listing Rules.

(7) Responsibility of the Board of Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements to give a true and fair view of the Group's business condition, operating results and cash flows in each accounting period. In preparing for the financial statements for the year ended 31 December 2012, the Group has selected and consistently applied appropriate accounting policies and has made reasonable and prudent accounting estimates. The Directors have acknowledged their responsibility for the preparation of financial statements and the auditor's acknowledgement of their responsibility has been stated on page 141 of the Independent Auditor's Report.

(8) Specific Notification and Independent Opinion by the Independent Non-Executive Directors on External Guarantees by the Bank

The Independent Non-executive Directors consider that the provision of external guarantees is in the ordinary course of the Group's business and is approved by the banking regulatory authorities in China. The Bank has developed prudent risk management and monitoring policies, particularly on the credit assessment of guarantee, as well as operational and credit approval procedures, etc, so as to effectively manage the risks of its external guarantee business.

5. SUPERVISORY COMMITTEE AND SPECIAL COMMITTEES UNDER THE SUPERVISORY COMMITTEE

Supervisory Committee is the Bank's supervisory body and reports to the Shareholders' General Meeting. It reviewes financials of the Bank and supervised operational behaviours of Directors and Senior Management. It provides recommendations on the dismissal of Directors and Senior Management in event of violation of laws and regulations, Article of Association or resolutions of Shareholders' General Meetings. It also devises corrective actions on any misconduct of Directors and Senior Management of the Bank which harms the Bank's interests. The Supervisory Committee checks the financial information submitted by the Board of Directors at the Shareholders' General Meeting such as the financial reports and profit distribution plans. For items in doubt, it is authorised to commission, on behalf of the Bank, CPAs and practicing auditors to review. It is authorised to propose the convening of an Extraordinary General Meeting, convene and preside over Shareholders' General Meeting when the Board of Directors does not fulfil its duty to convene and preside over the Shareholders' General Meetings under the provisions of the Company Law. It is authorised to submit proposal to Shareholders' General Meeting and investigate abnormal operations of the Bank.

There are 13 members on the Supervisory Committee, including the Chairman, two External Supervisors, six Shareholder Representative Supervisors, and four Employee Representative Supervisors. Mr. Hua Qingshan serves as the Chairman of the Supervisory Committee. The Supervisory Committee has three Special Committees: The Performance and Due Diligence Supervision Committee, has four members including the Chairman of the Supervisory Committee, being the Chairman of the Performance and Due Diligence Supervision Committee, two External Supervisors and one Employee Representative Supervisor. They are responsible for the oversight of the performance of the Board of Directors and Senior Management. The Nomination Committee has five members, with the External Supervisor as the Chairman, two Shareholder Representative Supervisors, and two Employee Representative Supervisors. They are responsible for the development of Supervisor's nomination procedures and standards, assessment of the qualification of the nominated Supervisors, and evaluation of their annual performance. The Finance and Internal Control Supervision Committee, has seven members, including the Chairman being the External Supervisor, four Shareholder Representative Supervisors and two Employee Representative Supervisors. They are responsible for the supervision of financial management, internal controls and risk management of the Bank.

Please refer to the "Report of the Supervisory Committee" for work performance of the Supervisory Committee and its Special Committees.

6. SENIOR MANAGEMENT

The Bank's Senior Management comprises of President, Vice President, Chief Financial Officer, Chief Information Officer, Chief Risk Officer and Corporate Business Director. The Bank adheres to a system whereby President, as the ultimate responsible officer reports to the Board of Directors. All other functional departments, branch offices and Senior Management report to President. President has the authority to manage the Bank's business in compliance with the relevant laws and regulations, the Articles of Association and authorisation from the Board of Directors, with primary responsibilities include managing day-to-day operations, executing the resolutions of General Meeting and the meeting of Board of Directors, drafting annual business plan and investment strategy planning and executing such plans upon the approval by General Meeting on the meeting of Board of Directors.

During the Reporting Period, Senior Management ran the day-to-day operation of the Bank in accordance with the Bank's Articles of Association and authorisation from the Board of Directors, and has achieved the business targets set by the Board of the Directors. The Board of Directors was satisfied with the performance of Senior Management for the year 2012.

7. INTERNAL CONTROL

(1) Internal Control System Overview

According to the "Guidelines on Internal Controls for Commercial Banks" issued by the CBRC and the "Internal Control Code for Companies" jointly issued by the Ministry of Finance and other four departments, the Bank developed its internal control system framework. The Bank's internal control objective is to guarantee the legitimacy and compliance of its operating management, the accuracy, completeness and reliability of the financial information, effectiveness of the risk management system and the security of assets, thus facilitating the Bank to realise its development strategy and operation objectives.

(2) Internal Control Measures

During the Reporting Period, surrounding the theme of "stabilise development; facilitate transformation; control risks; seize the chance of reform; and increase efficiency", the Bank continuously optimised and adjusted the sector, structure, branches and operation management model of the Bank, promoted the establishment of comprehensive risk management system and information technology system, thus continuously enhancing the internal control system. First, the Bank adjusted the organisational structure according to the business changes. The Bank further improved the structure of corporate and individual business, set up special business promotion committees and function departments of middle office, prepared to build research and development departments of back office, and strengthened the front office's function of business development, middle office's function of risk management and back office's function of technology support. The Bank improved the operation and management model, advanced the establishment of newly-opened branches, the matrix reform of the existing branches managed by provinces, and the establishment of comprehensive network. Second, the Bank strengthened the comprehensive risk management system, upgraded the functions of discussion and decision-making of the Risk Management Committee of all levels. The Bank published its "Risk Management Plan from 2012 to 2015", built the "moderate, steady, compliant and innovate" risk appetite system, launched business continuous management construction, promoted prevention and control of significant risk, and advanced the credit responsibility identification mechanism. Third, the Bank continuously promoted the implementation of advanced measures of capital and risk measurement system and the major risk management in respects of credit, operation, market and liquidity, and built capital management system. Fourth, the Bank continuously conducted operation system reform, promoted the adjustment of the operation structure of branches managed by the Head Office and branches managed by provinces. The Bank strengthened mechanism establishment, process reengineering and product innovation. Fifth, the Bank deepened the financial revenues and expenditure and data management, improved pricing management, regulated service charge and conducted the construction of the quality management system of statistical data. Sixth, the Bank steadily promoted the "531" project construction and group information infrastructure construction, conducted the theme activity of "Information Security Year", and continuously promoted digital channel construction. Seventh, the bank played the role of assessing correction mechanism, the Bank continuously promoted the implementation and assessment of internal control, and strengthened audit supervision.

In 2012, targeting the risk characteristics of internal and external operation environment, the Bank took several measures of internal control to ensure the sound and steady operation of all the business. First, targeting the changes of deposit environment and the trend of interest rates deregulation, the Bank strengthened liability and pricing management. Second, the Bank continuously promoted the credit policy coverage, optimised credit structure, deepened the application of internal rating results, strengthened the risk management and control of the industries such as real estate, financing platform, "heavily-polluting, highly-energy-consuming and over-capacity sectors" and shipping, and vigorously prevented and defused the risk of credit default. Third, the Bank strengthened the construction of mechanism and procedure of asset management, and advanced the risk management of emerging business. Fourth, the Bank improved the mechanism of international banking and offshore business and advanced the innovation of products system. Fifth, the Bank continued to strengthen the management of staff behavior and the prevention and control of criminal cases, and conducted anti-fraud work systematically.

In 2012, the Bank's internal control system proved to be reliable and operated effectively. In 2013, surrounding the theme of "improvement under stability; transformation development; deepening reform; controlling risk; driving innovation; strengthening management; and upgrading service", the Bank will balance the relation among development transformation, business management and risk control management, thus continuously enhancing its internal control system.

8. ACCOUNTABILITY OF MAJOR MISTAKES IN INFORMATION DISCLOSURE OF ANNUAL REPORT

The Bank is devoted to enhancing the quality of its annual report and improving the disclosure of the report. Through building the disclosure system of annual report and formulating and implementing the "Administrative Measures for Information Disclosure", "Administrative Measures for Major Information Report", "Administrative Measures for Major Information Report of Subsidiaries" and "Administrative Measures for the Confidentiality of Inside Information", the Bank effectively prevents the major mistakes by identifying information disclosure deadlines for reporting, compiling and examining of financial information, enhancing responsibilities of various positions, and implementing accountability for mistakes. During the Reporting Period, there was no major mistake regarding information disclosure found by the Bank.

9. MANAGEMENT OF INSIDE INFORMATION

The Bank attached great importance to the management of inside information and insiders with inside information and took necessary measures to prevent insider dealing. The Bank strictly executed the rules and regulations such as "Insider Registration Policy of Bank of Communications Co. Ltd." and "Administrative Measures for the Confidentiality of Inside Information, effectively implementing the confidentiality management of inside information and registration management of insiders of inside information. The Bank strictly controlled the range of insiders and practiced timely registration, especially when periodical results were to be published or major events occurred. During the Reporting Period, there was no reveal regarding inside information.

10. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and Senior Management of the Bank have strictly adhered to the "Guidelines on Management of Shares held by Directors, Supervisors and Senior Management of Listed Company" by the CSRC. The Bank adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules. The Bank has made specific enquiries of all the Directors and Supervisors of the Bank and all of them confirmed that they had complied with the required standard of the Model Code during the Reporting Period.

11. AUDITOR'S REMUNERATION

The Group's financial statements for the year ended 31 December 2012 prepared in accordance with China Accounting Standards have been audited by Deloitte Touche Tohmatsu CPA LLP. The financial statements prepared in accordance with the International Financial Reporting Standards have been audited by Deloitte Touche Tohmatsu. The total audit fees (including the internal control audit) are approximately RMB34.21 million.

During the Reporting Period, the fees for non-audit services provided by Deloitte and its associated companies to the Group are approximately RMB1.84 million. The non-audit services provided mainly included the translation of financial reports, the assurance of report of corporate social responsibilities and capital verification service for non-public issuance of shares. The Audit Committee was satisfied that such services provided have not impaired the independence of Deloitte.

Deloitte Touche Tohmatsu CPA LLP has provided the Group 8 years audit service and Deloitte Touche Tohmatsu has provided the Group 2 years audit service. PricewaterhouseCoopers CPA Ltd. has resigned as the Bank's external auditor since 2011 as it passed the service period limitation pursuant to the regulations by the Ministry of Finance.

The Board of Directors proposed to re-appoint Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu as the external auditor of the Group for 2013 and submitted the proposal to the 2012 Annual Shareholders' General Meeting for approval.

12. INVESTOR RELATIONS (IR)

In 2012, under the influence of European debt crisis and economic slowdown in China, the capital market was pessimistic. As a pro-cyclical industry, the valuation level of banking industry was decreasing, so the management of investor relations of the Bank was faced with great challenge. Facing with pressure, the Bank continuously created new ways and channels of IR, maintained close, effective and smooth communication with the capital market and popularised the development strategy, operation results and business success of the Bank, in order to upgrade the acknowledgement of the investors to the investment values of the Bank and confidence in its development prospect.

On the basis of the experience of investor relations management since the listing of H shares, the Bank revised the "Interim Measures for Investor Relations Management" and the Board of Directors considered and approved the "Measure for Investor Relations Management", further improving the rules and regulations of the investor relations management.

During the Reporting Period, the Bank successfully completed the non-public issuance of A and H shares, significantly upgrading the capital strength and placing a solid capital basis of the Bank's future development. In the process of issuing, the Bank conducted various and effective communication with domestic and overseas investors and obtained the understanding and acknowledgement of most investors, ensuring the successful completion of the non-public issuance of A and H shares.

The Bank attached great importance to the opinions from the capital market to guide the business development and operation management of the Bank. During the Reporting Period, Senior Management of the Bank held 4 forums with investors and analysts. These activities allowed the Bank to have comprehensive and effective communication about macroeconomic situation, the development opportunities and challenges of banking and the supervision policies, as well as to obtain opinions and suggestions from investors about the strategic positioning, the differential operation characteristics, the market value management and the information disclosure. In addition, the Bank fully understood the analysts' expectation to future macroeconomic and operational development of banking through the annual analyst questionnaire surveys for three consecutive years, providing beneficial reference for the Bank of respect of operation management, strategy transition and the market value management.

The Bank held four results press conferences in Hong Kong and Shanghai respectively, and organised international road shows in major international financial centres. These activities allowed the Bank to have direct and effective communication with the investors, analysts and the press about the operating results, latest progress and future objectives of the Bank. The Bank also maintained timely and smooth interaction and communication with investors through participation in domestic and overseas investment forums held by famous securities companies and hosting visits by investors. Through these activities, the Bank's IR team managed to communicate with over 1,100 investors and analysts in total.

Corporate Social Responsibilities

The Bank upheld its belief of "strong harmony and integrity, constant pursuit of excellence and growing with the society" and vigorously performed its contemporary corporate social responsibilities to maximise benefits for shareholders, customers, employees and other stakeholders. In 2012, the Bank's social contribution per share reached RMB3.16.

With the "Key Goals of Corporate Social Responsibilities for 2012", the Bank carried out solid work in five key fields, including "serving the national development", "strengthening the responsibility management", "building harmony and win-win situation together", "promoting green finance", and "devoting to public charity".

1. STRENGTHENING RESPONSIBILITY MANAGEMENT

During the Reporting Period, the Bank continued to advance the execution of corporate responsibility work from the perspectives of theory, organisation, planning and execution. Through formulation, consideration and publish of "The Policy of Corporate Social Responsibility", "Green Credit Policy" and the formulation of their corresponding interim management measures, the Bank strengthened its further understanding of corporate social responsibility, clarified the division of works and set the focus of work and stage goals.

2. SUPPORTING THE REAL ECONOMY

The Bank continued to implement the policy orientation of support from the government in the development of real economy and "steady growth", actively followed the initiative of "12th Five-Year Plan" and guided by the shifting of economic growth patterns, optimised and adjusted the credit structure, effectively served the need of real economy as well as realised the steady development of credit business. During the Reporting Period, the growth rate of balance of loans made to central and western regions of China, small to medium and micro enterprises and agriculture related business was higher than the average growth rate of total balance of loans. In particular to implement the "develop-the-west strategy", "the strategy of the rise of Central China" and the nation's policy of industrial structure shifting, the Bank strengthened its support to the area of road transportation, public facilities administration, mining and non-ferrous metals, combined with the characteristic of the local areas. The loan balance of central and western regions of China continued to increase by 15.37% from beginning of the year to reaching RMB752.150 billion. Meanwhile, the Bank continuously strengthened its support to small to medium and micro enterprises. The growth rate of the loan balance of small to micro enterprises was over 20 percentage points higher than the average growth rate of total loans, and new loans to small to micro enterprises accounted for more than one-sixth of all the new loans of the Bank. The Bank tried to build featured "professional branch" as well as continued to design new financial products to small to micro enterprises. Total agriculture related loans reached RMB478.308 billion. The Bank promoted the projects of construction of new rural areas, continued to optimise and expand the financial service network of rural areas. The Bank newly set up over 30 county branches, covering 144 counties or county-level cities across the country, with coverage rate increasing by 1.59 percentage points to 7.17%.

3. SAFEGUARDING THE PEOPLE'S LIVELIHOOD DEVELOPMENT

The Bank attached great importance to people financial aspects of low-income housing projects, science, education, culture, public health and individual consumption. Through the innovation financial products, diversified financial services and preferential of credit resources, the Bank supported the sound development of people's livelihood. At the end of the Reporting Period, the balance of loans to low-income housing projects and the balance of loans to science, education, culture and public health was RMB29.254 billion and RMB35.161 billion respectively, whose year-on-year growth rates were higher than the average growth rate of total loans in the industry. In respect of total loans management in real estates sector, the Bank gave priority to the fund demands of low-income housing and launched hundreds of low-income housing projects covering the affordable housing, public rental housing, low-rent housing, the capped price housing and rebuilding of shanty areas in 25 provinces, municipal cities and municipalities directly under the central government. The Bank signed financing agreement of intent of a total of RMB50 billion with the General Administration of Press and Publication. The financial plan of "Yin Wei An Kang" healthcare project served as the reform of public hospital for people's livelihood was introduced to the market. The Bank has implemented this plan in more than 60 hospitals over 50 cities, and more than one thousand self-service machine were invested. The settlement model of "Replacing the medical cards by ID cards" which first created in China significantly increased the real-name treatment ratio.

4. PROMOTING "GREEN CREDIT"

It has been the fifth year since the Bank implemented "Green Credit". The Board of Directors has set the "Green Credit" as the Bank's long-term strategy. Under the guidance of "Green Credit", the Bank further perfected relevant rules, implemented strict quota control over new credit granting to "heavily-polluting, highly-energy-consuming and over-capacity sectors" as well as vigorously support energy conservation and emission reduction, cyclic economy and strategic emerging industry. During the Reporting Period, the Bank was awarded the "Annual Best Green Finance of Social Responsibilities Award" by China Banking Association. During the Reporting Period, the number of energy conservation and emission reduction enterprises supported by the Bank and the balance of credit granting continued to increase. The credit granted to the enterprises of clean energy such as wind power and water power increased by 5.5 percentage points as compared with the prior year to RMB34.7 billion, accounting for 34.4% in all the credit authorised to the power industry. The credit granting of the whole year drove the clean resources projects to decrease approximately 7 million ton CO2 emission. The Bank continued to implement quota management on lending to the "heavily-polluting, highly-energy-consuming and over-capacity sectors", leading the continuous decrease in loan proportion. The Bank focused on combining the green credit with other social responsibilities sector to upgrade social efficiency in all direction. The Bank speeded up the innovation in low-carbon finance and conducted constructive researches and attempts on various aspect including new resources, greenhouse gas reduction and energy management contract.

5. SUPPORTING GREEN SERVICES

The Bank is committed to enhance the e-banking service capabilities and customer experience and provides better e-banking products and services in order to help customers achieving a convenient transactions with lower cost and supported the customer to jointly promote the environmental conservation benefits of e-banking services. During the Reporting Period, the Bank focused various aspects including on mobile financial services, self-service innovation, remote service, account innovation, e-commerce and enterprise services, amounted to more than 110 innovative products and more than 1,100 feature improvements and experience enhancement, of which innovative products such as iTM and e-bank card are widely recognised by customers. As the end of the Reporting Period, the channel diversion rate of e-banking services increased by 6.73 percentage points as compared with the prior year to 73.17%. Based on the constant expansion of the Bank's e-banking customers, as well as the increasing the channel diversion ratio of e-banking, during the Reporting Period, the environmental effect was equivalent to nearly 3,900 tons of carbon dioxide emissions reduction, a increase of more than 30% as compared with the prior year.

6. ENHANCING THE CUSTOMER EXPERIENCE

The Bank is dedicated to be the financial institute which enjoys a leading position in the industry regarding the popularity among customers, providing customers with a safe and convenient financial services. During the Reporting Period, the Bank perfected the management structure and services system and established service enhancement team in command by Senior Management of the Bank's Head Office and subordinated five specific working groups that promoted branch network image, service standard, service efficiency, advertising and appraisal. The general manager of each branch is responsible for its branch's services. The Bank has enhanced all-round service management improvement along with its unique characteristic as well as standardised management system covering the front desk teller, customer manager and all other employees. The Bank focused on improving the service attitude and problem-solving ability, took a number of measures, which have achieved a decrease of total customer complaints quarter by quarter. In particular, the fourth quarter's complaints decreased by nearly 50% as compared with the first quarter's. In order to improve the customer experience, the Bank collected and analysed 9,032 customer feedbacks and classified and consolidated into 94 types of customer problems. In the competition of the "2012 One Thousand Civilised Models Enterprise of Standard Service among Chinese Banking Industry", the Bank was awarded the "Outstanding Contribution Award" and its 88 units became demonstration branch networks, accounting for 3.26% of the total number of the Bank's branch networks.

7. DEVOTING TO PUBLIC WELFARE

During the Reporting Period, the Bank made charitable contributions totaling RMB16.1795 million, mainly focused on disabled person support, poverty alleviation, and disaster relief. The Bank continued to cooperate with the China Disabled Persons' Federation, launched "Gateway to Tomorrow: Education Grant for Disabled Youth by Bank of Communications" and allocated with a total of RMB75.40 million, and implemented RMB7.995 million of funds to 4,000 disabled high school students and college freshmen from impoverished families across the country, subsidised 15 provincial level trainings of special education teachers, rewarded 199 excellent teachers with "Special Education Teacher Award of Bank of Communications" as well as 35 outstanding disabled college students with "Disabled College Student Inspirational Award of Bank of Communications". With various targeted poverty alleviation programs carried out in 27 provinces, autonomous regions and municipalities, applying RMB7.1059 million of fund to 50 country-level areas, including the support on the infrastructure construction, increasing development capacity, helping poor people in order to promote local economic development. The Bank also donated RMB1.4727 million for disaster relief efforts in six provinces such as Hebei Province.

8. CARING FOR EMPLOYEE DEVELOPMENT

The Bank provided competitive salary and welfares in order to protect the interests of their employees and established training system covering different levels, different lines and different positions to support employee development. During the Reporting Period, the Bank invested a total of RMB130 million in funds for various training, organised a series of 26,121 trainings, trained 624,109 employees and continued to perfect the electronic training platform that contains 1,200 online courses. The Bank carried out the "Sending Care with Hundreds Visits" activities, expressed condolences to 2,031 employees who have difficulties and provided financial aids of RMB12.51 million, of which both the number and amount hit a record high. Established "Employee Mutual Aid Association", 53,158 employees joined and raised funds of RMB5.468 million, which grants 321 employees by distributing funds of RMB4.719 million.

1. RELATED PARTY TRANSACTIONS

During the Reporting Period, all the transactions between the Group and its related parties are ordinary operating capital flows at arms-length. No significant related party transaction occurred during the Reporting Period.

Details of related party transactions of the Group as at the end of the Reporting Period are disclosed in Note 42 to the Consolidated Financial Statements.

2. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

(1) Material trust, sub-contract and lease

During the Reporting Period, the Bank has not held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation has held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

(2) Material guarantees

The provision of guarantees is one of the off-balance-sheet business carried out by the Bank in its ordinary course of business. During the Reporting Period, the Bank did not provide any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by regulatory agency.

(3) Material events concerning entrusting other persons for cash management

No such matters concerning entrusting other persons for cash management occurred in the Bank during the Reporting Period.

3. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, there are no material litigation and arbitration that might have a significant impact on the operation of the Bank.

As at 31 December 2012, the Bank has been involved in certain outstanding litigations as defendant or third party. The outstanding litigation amount was approximately RMB1.261 billion. After consultations with the legal advisers, the Bank is of the view that these litigation cases will not have any significant impact on the financial position of the Group.

4. UNDERTAKINGS

As at the end of the Reporting Period, there is no any significant undertakings by the Bank on its shareholders with more than 5% shareholdings that have not been performed.

5. DISCIPLINARY ACTIONS AGAINST THE BANK, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors and Senior Management was subject to any investigations by competent authorities, compulsory enforcement of judicial and discipline departments, investigation or administrative penalty by CSRC and public reprimand by the stock exchanges.

6. OTHER SIGNIFICANT EVENTS

(1) Holdings of shares 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	134,825,478.27	1.42	270,931,500.00	–	(124,107,179.20)	Investment securities – available-for-sale	Foreclosed assets
02236	WISON ENERG	192,974,311.06	2.34	215,006,283.36	22,031,972.30	–	Financial assets at fair value through profit or loss	Equity investment
000979	ZHONGHONG STOCKS	7,947,082.89	1.23	98,338,015.00	–	(11,931,627.89)	Investment securities – available-for-sale	Foreclosed assets
00067	LUMENA NEWMAT	115,488,278.69	0.79	60,254,754.10	(55,233,524.59)	64,188,129.43	Investment securities – available-for-sale	Equity investment
01798	DATANG RENEW	126,358,668.49	2.65	52,615,829.46	(73,205,942.81)	51,720,425.12	Investment securities – available-for-sale	Equity investment
V	Visa Inc.	6,270,366.87	–	22,165,008.64	–	7,281,169.96	Investment securities – available-for-sale	Equity investment
600757	Changjiang Chuanmei	22,401,402.22	0.31	19,905,077.70	–	(8,969,520.52)	Investment securities – available-for-sale	Foreclosed assets
00658	C TRANSMISSION	54,279,273.77	0.59	19,769,333.85	(34,444,261.07)	31,876,875.74	Investment securities – available-for-sale	Equity investment
02198	CHINA SANJIANG	10,528,748.02	0.62	15,393,889.95	803,688.98	5,412,296.65	Investment securities – available-for-sale	Equity investment
00916	CHINA LONGYUAN	24,847,578.71	0.10	14,532,459.13	(10,470,366.09)	8,477,871.38	Investment securities – available-for-sale	Equity investment
	Others	92,929,214.01		32,686,853.83	12,862,256.76	109,330,962.43		
	Total	**788,850,403.00**		**821,599,005.02**	**(137,656,176.52)**	**133,279,403.10**		

Note:

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

(2) Holdings of shares issued by unlisted financial institutions

(in RMB unless otherwise stated)

Name of institution	Initial investment cost	Number of shares held (share)	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	302,141,022.30	3,652,428.06	–	Investment in an associate	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
Total	**1,155,750,000.00**			**1,157,891,022.30**	**7,589,928.06**			

(3) Purchases and sales of shares of other listed companies

(in RMB unless otherwise stated)

Stock	Number of shares held at the beginning of the Reporting Period (share)	Number of shares bought/(sold) during the Reporting Period (share)	Number of shares held at the end of the Reporting Period (share)	Fund utilised	Gain in the Reporting Period
Purchases	431,476	95,712,838	96,144,314	199,908,322.90	—
Sales	256,766,978	(239,478,249)	17,288,729	—	16,898,514.44

Notes: All changes shown in the table above are results of purchases and sales 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.

Deloitte.
德勤

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TO THE SHAREHOLDERS OF BANK OF COMMUNICATIONS CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Bank of Communications Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 142 to 275, which comprise the consolidated and Bank's statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2013

Consolidated Statement of Comprehensive Income

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

Group

	Notes	Year ended 31 December 2012	2011 (Restated)
Interest income		240,596	191,764
Interest expense		(120,470)	(88,271)
Net interest income	4	120,126	103,493
Fee and commission income	5	24,126	21,572
Fee and commission expense	6	(3,244)	(2,915)
Net fee and commission income		20,882	18,657
Dividend income	7	80	71
Net gains arising from trading activities	8	1,269	1,401
Net gains arising from de-recognition of investment securities	21	329	123
Insurance business income		741	433
Other operating income	9	4,757	3,617
Impairment losses on loans and advances to customers	10	(14,537)	(12,479)
Insurance business expense		(630)	(491)
Other operating expense	11	(57,805)	(49,372)
Share of profit/(loss) of an associate		4	(2)
Profit before tax		75,216	65,451
Income tax	14	(16,740)	(14,634)
Net profit for the year		58,476	50,817
Other comprehensive (loss)/income			
Available-for-sale ("AFS") financial assets			
Changes in fair value recorded in equity		(259)	42
Changes in fair value reclassified from equity to profit or loss		(43)	(151)
Translation difference on foreign operations		(35)	(523)
Other comprehensive loss for the year	37	(337)	(632)
Total comprehensive income for the year		58,139	50,185
Net profit attributable to:			
Shareholders of the Bank		58,373	50,735
Non-controlling interests		103	82
Total comprehensive income attributable to:			
Shareholders of the Bank		58,010	50,154
Non-controlling interests		129	31
Basic earnings per share for profit attributable to the shareholders of the Bank (in RMB)	15	0.88	0.82

The accompanying notes presented on pages 148 to 275 form a part of these consolidated financial statements.

* For details of the dividends paid or proposed please refer to Note 33.

Consolidated Statement of Financial Position

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

Group

	Notes	As at 31 December 2012	As at 31 December 2011 (Restated)
ASSETS			
Cash and balances with central banks	16	816,846	736,999
Due from banks and other financial institutions	17	520,963	443,240
Financial assets at fair value through profit or loss	18	52,161	48,422
Loans and advances to customers	20	2,879,628	2,505,385
Investment securities — loans and receivables	21	30,395	28,256
Investment securities — available-for-sale	21	204,608	184,092
Investment securities — held-to-maturity (“HTM”)	21	598,615	544,761
Investment in an associate	40	302	298
Property and equipment	22	45,536	37,017
Deferred income tax assets	28	12,501	7,926
Other assets	23	111,824	74,781
Total assets		5,273,379	4,611,177
LIABILITIES			
Due to banks and other financial institutions	24	942,989	854,499
Financial liabilities at fair value through profit or loss	25	23,060	18,921
Due to customers	26	3,728,412	3,283,232
Other liabilities	27	110,769	95,666
Current tax liabilities		7,125	4,247
Deferred income tax liabilities	28	5	21
Debt securities issued	30	79,572	81,803
Total liabilities		4,891,932	4,338,389
EQUITY			
Capital and reserves attributable to shareholders of the Bank			
Share capital	31	74,263	61,886
Capital surplus	31	113,383	69,465
Other reserves		114,405	94,084
Retained earnings		77,867	46,367
		379,918	271,802
Non-controlling interests		1,529	986
Total equity		381,447	272,788
Total equity and liabilities		5,273,379	4,611,177

The consolidated financial statements on pages 142 to 275 were approved and authorised for issue by the Board of Directors on 27 March 2013 and signed on its behalf by:

Chairman of Board: Hu Huaibang *Vice Governor and Chief Financial Officer: Yu Yali*

The accompanying notes presented on pages 148 to 275 form a part of these consolidated financial statements.

Statement of Financial Position

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

Bank

	Notes	As at 31 December 2012	As at 31 December 2011
ASSETS			
Cash and balances with central banks	16	816,345	736,763
Due from banks and other financial institutions	17	521,774	441,063
Financial assets at fair value through profit or loss	18	51,433	48,249
Loans and advances to customers	20	2,876,774	2,502,829
Investment securities — loans and receivables	21	30,020	28,029
Investment securities — available-for-sale	21	202,072	181,597
Investment securities — held-to-maturity ("HTM")	21	597,558	544,653
Investments in subsidiaries	39	10,238	9,344
Investment in an associate	40	302	298
Property and equipment	22	41,303	36,129
Deferred income tax assets	28	12,434	7,846
Other assets	23	41,690	27,657
Total assets		5,201,943	4,564,457
LIABILITIES			
Due to banks and other financial institutions	24	891,318	820,254
Financial liabilities at fair value through profit or loss	25	23,060	18,921
Due to customers	26	3,726,167	3,282,588
Other liabilities	27	99,867	88,692
Current tax liabilities		6,960	4,084
Deferred income tax liabilities	28	—	21
Debt securities issued	30	77,572	79,803
Total liabilities		4,824,944	4,294,363
EQUITY			
Capital and reserves attributable to shareholders of the Bank			
Share capital	31	74,263	61,886
Capital surplus		113,412	69,494
Other reserves		113,822	93,800
Retained earnings		75,502	44,914
Total equity		376,999	270,094
Total equity and liabilities		5,201,943	4,564,457

The accompanying notes presented on pages 148 to 275 form a part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

			Other reserves								
	Share capital Note 31	Capital surplus Note 31	Statutory reserve Note 32 (Restated)	Discretionary reserve Note 32	Statutory general reserve Note 32 (Restated)	Revaluation reserve for available-for-sale financial assets	Translation reserve on foreign operations	Retained earnings Note 32, 33 (Restated)	Attributable to the shareholders of the Bank	Non-controlling interests	Total
Balance at 1 January 2011	56,260	69,465	13,994	31,272	24,150	(589)	(1,318)	29,539	222,773	884	223,657
Net profit for the year	–	–	–	–	–	–	–	50,735	50,735	82	50,817
Changes in fair value recorded in equity	–	–	–	–	–	90	–	–	90	(48)	42
Changes in fair value reclassified from equity to profit or loss	–	–	–	–	–	(148)	–	–	(148)	(3)	(151)
Translation difference on foreign operations	–	–	–	–	–	–	(523)	–	(523)	–	(523)
Total comprehensive income	–	–	–	–	–	(58)	(523)	50,735	50,154	31	50,185
Establishment of new subsidiaries	–	–	–	–	–	–	–	–	–	21	21
Capital increase in a subsidiary	–	–	–	–	–	–	–	–	–	120	120
Dividends paid (Note 33)	–	–	–	–	–	–	–	(1,125)	(1,125)	(70)	(1,195)
Transfer to reserves (restated)	–	–	5,039	16,968	5,149	–	–	(27,156)	–	–	–
Distributions of stocks dividend (Note 33)	5,626	–	–	–	–	–	–	(5,626)	–	–	–
Balance at 31 December 2011	61,886	69,465	19,033	48,240	29,299	(647)	(1,841)	46,367	271,802	986	272,788
Balance at 1 January 2012	61,886	69,465	19,033	48,240	29,299	(647)	(1,841)	46,367	271,802	986	272,788
Net profit for the year	–	–	–	–	–	–	–	58,373	58,373	103	58,476
Changes in fair value recorded in equity	–	–	–	–	–	(285)	–	–	(285)	26	(259)
Changes in fair value reclassified from equity to profit or loss	–	–	–	–	–	(43)	–	–	(43)	–	(43)
Translation difference on foreign operations	–	–	–	–	–	–	(35)	–	(35)	–	(35)
Total comprehensive income	–	–	–	–	–	(328)	(35)	58,373	58,010	129	58,139
Shares issued	12,377	44,200	–	–	–	–	–	–	56,577	–	56,577
Cost of shares issued	–	(282)	–	–	–	–	–	–	(282)	–	(282)
Establishment of a new subsidiary	–	–	–	–	–	–	–	–	–	74	74
Capital increase in a subsidiary	–	–	–	–	–	–	–	–	–	375	375
Dividends paid (Note 33)	–	–	–	–	–	–	–	(6,189)	(6,189)	(35)	(6,224)
Transfer to reserves	–	–	5,757	9,917	5,010	–	–	(20,684)	–	–	–
Balance at 31 December 2012	74,263	113,383	24,790	58,157	34,309	(975)	(1,876)	77,867	379,918	1,529	381,447

The accompanying notes presented on pages 148 to 275 form a part of these consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Year ended 31 December 2012	2011
Cash flows from operating activities:		
Profit before tax:	75,216	65,451
Adjustments for:		
Impairment allowances on loans and advances to customers	14,537	12,479
Reversal of impairment losses on foreclosed assets	(3)	—
Unwind of discount on allowances during the year	(900)	(766)
Impairment of finance lease receivables	312	190
Provision for/(reversal of) impairment of other receivables	9	(20)
Insurance contracts reserve	259	219
Impairment of investment securities	332	6
(Reversal of)/provision for outstanding litigation and unsettled obligation	(221)	75
Depreciation of property and equipment	3,616	3,423
Amortisation of rent and renovation	528	498
Share of (profit)/loss of an associate	(4)	2
Losses from fair value hedges	3	2
Amortisation of land use rights	129	29
Amortisation of intangible assets	223	192
Interest income from investment securities	(30,075)	(27,282)
Net gains arising from de-recognition of investment securities	(329)	(123)
Net gains on disposal of property and equipment	(88)	(129)
Increase in revaluation of investment property	(20)	(61)
Interest expense on debt securities issued	3,212	2,257
Interest expense on certificates of deposit issued	188	7
Fee on debt securities issued	—	31
Dividend income	(80)	(71)
Operating cash flows before movements in operating assets and liabilities	66,844	56,409
Net increase in mandatory reserve deposits	(60,868)	(156,781)
Net increase in due from banks and other financial institutions	(34,739)	(121,192)
Net increase in financial assets at fair value through profit or loss	(3,739)	(2,379)
Net increase in loans and advances to customers	(387,876)	(326,484)
Net increase in other assets	(37,735)	(15,147)
Net increase in due to banks and other financial institutions	88,490	137,467
Net increase in financial liabilities at fair value through profit or loss	4,103	4,077
Net increase in due to customers	445,180	415,385
Net increase in other liabilities	14,802	22,263
Net increase in business tax payable	484	825
Income tax paid	(18,342)	(15,589)
Net cash from/(used in) operating activities	76,604	(1,146)

Consolidated Statement of Cash Flows *(Continued)*

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

	Year ended 31 December 2012	2011
Cash flows from investing activities:		
Investment in an associate	—	(300)
Purchase of investment securities	(342,833)	(232,664)
Disposal or redemption of investment securities	265,870	243,352
Dividends received	80	71
Interest received from investment securities	27,389	24,587
Acquisition of intangible assets and other assets	(1,115)	(770)
Disposal of intangible assets and other assets	15	19
Purchase and construction of property and equipment	(9,763)	(6,846)
Disposal of property and equipment	968	596
Net cash (used in)/from investing activities	(59,389)	28,045
Cash flows from financing activities:		
Proceeds from shares issued	56,577	—
Issuance cost paid for shares issued	(282)	—
Proceeds from debt securities issued	10,572	29,803
Fee paid on debt securities issued	—	(31)
Interest paid on debt securities issued	(3,619)	(1,977)
Dividends paid to shareholders of the Bank	(6,189)	(1,125)
Repayment of debts securities issued	(12,803)	—
Capital contribution by non-controlling interests	449	141
Dividends paid to non-controlling interests	(35)	(70)
Net cash from financing activities	44,670	26,741
Effect of exchange rate changes on cash and cash equivalents	78	(904)
Net increase in cash and cash equivalents	61,963	52,736
Cash and cash equivalents at the beginning of the year	209,635	156,899
Cash and cash equivalents at the end of the year (Note 38)	271,598	209,635

	Year ended 31 December 2012	2011 (Restated)
Net cash flows from operating activities include:		
Interest received	207,553	161,787
Interest paid	(105,147)	(79,956)

The accompanying notes presented on pages 148 to 275 form a part of these consolidated financial statements.

1 GENERAL

Bank of Communications Co., Ltd. (the "Bank") is a commercial and retail bank providing banking services mainly in the People's Republic of China ("PRC"). The Bank was reorganised as a joint stocks national commercial bank on 1 April 1987, in accordance with the approval notice (Guo Fa (1986) No. 81) issued by the State Council of the PRC and the approval notice (Yin Fa (1987) No. 40) issued by the People's Bank of China ("PBOC"). Headquartered in Shanghai, the Bank operates 182 cities level and above branches in the Mainland China and also branches in Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney and Taipei. The Bank's A shares are listed on Shanghai Stock Exchange and its H shares are listed on the Stock Exchange of Hong Kong Limited.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustees, insurance, finance lease and other financial services.

The Bank has obtained a business license for its Taipei branch on 11 June 2012 and the branch started its operation officially from 16 July 2012. On 16 August 2012, the Bank established a subsidiary, Qingdao Laoshan Bocom Rural Bank Company Limited, with registered capital of RMB150 million. The Bank owns 51% of this subsidiary's share holdings.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the periods presented unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with IFRSs and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) *Impairment losses on loans and advances*

The Group reviews its loan portfolios to assess impairment on a quarterly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and book value. When loans and advances are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Critical accounting estimates and judgments in applying accounting policies *(Continued)*

(b) *Fair value of financial instruments*

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques (e.g. discounted cash flow model). To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) *Income taxes*

The Group is subject to income tax in various jurisdictions; principally, in Mainland China and Hong Kong. Significant estimates are required in determining the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated issues from tax audit based on estimates of whether additional taxes will be due. In particular, the deductibility of certain items in PRC is subject to tax authority approval. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax and current tax liabilities and deferred tax assets and liabilities in the period during which such a determination is made.

(d) *Held-to-maturity investments*

The Group follows the guidance of International Accounting Standards ("IAS") 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances defined in IAS 39 such as, selling or reclassifying an insignificant amount close to maturity, it will be required to reclassify the entire portfolio of assets as available-for-sale. The investments would then be measured at fair value, not at amortised cost.

(e) *Impairment of available-for-sale financial assets and held-to-maturity investments*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset or held-to-maturity investment is impaired. The Group determines that an available-for-sale equity investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires management judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

Objective evidence of impairment for a debt investment exists when one or more events have occurred after the initial recognition of the available-for-sale debt investment and held-to-maturity debt investment that reduce the estimated future cash flows to be received on the debt investment. The Group recognises an impairment loss for the debt investment when there is objective evidence that the debt investment is impaired.

(f) *Actuarial assumptions for insurance contract reserves*

The determination of the liabilities under life and long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefit payments, premiums and relevant expenses, is reflected in the risk margin.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Critical accounting estimates and judgments in applying accounting policies *(Continued)*

(f) Actuarial assumptions for insurance contract reserves (Continued)

The residual margin relating to the life and long-term insurance contracts is amortised over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates and expenses assumption) that are determined at inception of the contracts.

Application of new and revised IFRSs

(a) New and revised IFRSs issued and applied

In the current year, the Group has applied the following issued amendments to IFRSs:

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The Group has applied the amendments to IFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments to IFRS 7 increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The relevant disclosures have been made on application of the amendments to IFRS 7 (see Note 41). In accordance with the transitional provisions set out in the amendment to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

Amendments to IAS 12 Deferred Tax — Recovery of Underlying Assets

The Group has applied the amendments to IAS 12 Deferred Tax — Recovery of Underlying Assets in current year. 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 embodies 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 consolidated financial statements.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Application of new and revised IFRSs *(Continued)*

(b) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[4]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[3]
IAS 19 (as revised 2011)	Employee Benefits[2]
IAS 27 (as revised 2011)	Separate Financial Statements[2]
IAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Application of new and revised IFRSs *(Continued)*

(b) New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 Financial Instruments *(Continued)*

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Group is considering the impact of IFRS 9 on the consolidated financial statements and the timing of its application.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards, together with amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Bank anticipate that the application 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.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Application of new and revised IFRSs *(Continued)*

(b) New and revised IFRSs issued but not yet effective (Continued)

IFRS 13 Fair Value Measurement *(Continued)*

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Bank anticipate that the application of the new standard is not expected to have a material effect on the Group's consolidated financial statements and disclosures in the consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Bank anticipate that the application of these amendments to IAS 32 and IFRS 7 is not expected to have a material effect on the disclosures of the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Bank anticipate that the application of the amendments will have no effect on the Group as the Bank is not an investment entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Application of new and revised IFRSs *(Continued)*

(b) New and revised IFRSs issued but not yet effective (Continued)

IAS 19 (as revised in 2011) Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors of the Bank anticipate that the application of the amendments to IAS 19 would have no significant impact on amounts reported in respect of the Groups' defined benefit plans.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to IFRSs 2009–2011 Cycle

The Annual Improvements to IFRSs 2009–2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors of the Bank anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

2.2.1 Subsidiary undertakings and goodwill

Subsidiaries are all entities over which the Group has control, that is having the power to govern the financial and operating policies, so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2.2.2 Transactions with non-controlling interests

For acquisition of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive are reclassified to profit or loss.

2.2.3 Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers.
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE.
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

2.2.3 Special purpose entities *(Continued)*

The assessment of whether the Group has control over an SPE is carried out at inception. If the substance of the relationship between the Group and the SPE is altered, the Group will perform a reassessment of control over the SPE.

Information about the Group's securitisation activities is included in Note 41.

2.2.4 Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised only to the extent of interests in the associate that are not related to the Group.

In the Bank's statement of financial position, its investment in an associate is stated at cost, less impairment losses, if any.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Derivative financial instruments

Derivative financial instruments include, but not limited to, interest rate derivative and foreign exchange derivative. Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate. All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

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

2.4 Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any adjustment to the carrying amount of the hedged item for the designated risk for interest-bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted. The amortisation is based on a recalculated effective interest rate at the date amortisation commences such that the adjustment is fully amortised by maturity.

2.5 Financial assets

The Group's financial assets are initially measured at fair value and classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are not either designated or classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the Reporting Period. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income accumulated in equity is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the Reporting Period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income on available-for-sale debt instruments are calculated using the effective interest method and recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Financial assets *(Continued)*

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Asset securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to SPEs which then issue securities to investors. The Group holds part of the subordinated tranch notes, which are not transferrable before both the principals and interests of the senior tranch notes are repaid. The Group serves as the asset management supplier, providing services including loan collection for the investment pool, keeping accounting records related to the investment pool and issuing reports as the service agency. The assets under securitisation are used to repay the principals and interests of the senior tranch notes first after deducting related taxation and expenses. And the remaining assets under securitisation are repaid to the Group and other subordinated tranch notes investors. The Group derecognises the transferred assets in full or in part as per the extent of the risks and rewards retained.

The Group evaluates the extent to which it retains the risks and rewards of ownership of the financial assets and determines whether it retains control while applying the accounting policy in respect of asset securitisation:

- The financial asset is derecognised when the Group transfers substantially all the risks and rewards of ownership of the financial asset;

- The financial asset is continued to recognise when the Group retains substantially all the risks and rewards of ownership of the financial asset;

- When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;

- When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and retains control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. The Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the Reporting Period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include the following observable events:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract, such as a default or delinquency in interest or principal payments;

(3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(5) The disappearance of an active market for that financial asset because of financial difficulties;

(6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

— adverse changes in the payment status of borrowers in the group; and

— national or local economic conditions that correlate with defaults on the assets in the group;

(7) Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered;

(8) A significant or prolonged decline in the fair value of equity instrument investments; and

(9) Other objective evidence indicating impairment of the financial asset.

(a) Impairment of financial assets carried at amortised cost

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss and is recorded through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Impairment of financial assets *(Continued)*

(b) Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified to profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt investments is recognised in profit or loss.

(c) Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

2.7 Financial liabilities/Equity instruments

The Group classifies financial liabilities and equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

All financial liabilities are initially measured at fair value and classified either as financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any interest expenses related to the financial liabilities are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial liabilities/Equity instruments *(Continued)*

(b) Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

(c) De-recognition of financial liabilities

The Group derecognises a financial liability or part of it only when the underlying present obligation or part of it is discharged, cancelled or expired. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

2.8 Interest income and expense

Interest income and expense are recognised in profit or loss for interest-bearing financial instruments using the effective interest method. If the difference between effective interest rate and contract interest rate is relatively small, then the contract interest rate can be used as well.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (including a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (but does not consider future credit losses). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.9 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the services are rendered.

2.10 Dividend income

Dividends are recognised when the right to receive the dividends is established.

2.11 Assets transferred under repurchase agreements

(a) Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “securities sold under repurchase agreements” in the statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Assets transferred under repurchase agreements *(Continued)*

(b) *Financial assets purchased under reverse repurchase agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "loans or securities purchased under reverse repurchase agreements" in the statement of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

2.12 Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially and subsequently recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

2.13 Property and equipment

The Group's property and equipment mainly comprise land and buildings, equipment, transportation equipment, property improvement and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Land and buildings comprise primarily branch office premises and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of land and buildings, equipment, transportation equipment and property improvement are as follows:

Type of assets	**Estimated useful lives**	**Estimated residual value rate**	**Depreciation rate**
Land and buildings	25 years–50 years	3%	1.94%–3.88%
Equipment	3 years–11 years	3%	8.82%–32.33%
Transportation equipment (excluding equipment under operating leases)	4 years–8 years	3%	12.13%–24.25%
Property improvement	5 years–10 years	—	10%–20%
Equipment under operating leases	15 years–25 years	5%–10%	3.60%–6.33%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a property and equipment when it is ready for intended use.

Equipment under operating leases where the Group is the lessor is aircraft or vessel. The estimated useful lives and depreciation rate of the aircraft or vessel are determined per their conditions and the estimated residual values are determined by external appraiser using historical data item by item.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Foreclosed assets

Foreclosed assets are initially recognised at fair value. At each reporting date, foreclosed assets are subsequently measured at lower of its carrying amount or fair value less cost of sale. When the fair value less cost of sale is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

When a foreclosed asset is disposed, the difference between the disposal proceed and the carrying amount is recognised in profit or loss.

2.15 Land use rights

Land use rights are classified as other assets and amortised using the straight-line method over the lease term.

2.16 Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecongnised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecongnition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecongnised.

2.17 Investment property

Investment property is a property held to earn rentals or for capital appreciation or both and initially measured at cost.

As there is an active property market in the location in which the Group's investment property is situated, and the Group can obtain the market price and other relevant information regarding the same or similar type of property from the property market so as to reasonably estimate the fair value of the investment property; therefore, the Group uses the fair value model for subsequent measurement of the investment property, with changes in the fair value included in profit or loss for the period in which they arise.

When determining the fair value of the investment property, the current market prices of the same or similar type of property in an active market is considered. If the current market prices of the same or similar type of property in an active market cannot be obtained, the recent trading prices for such properties in an active market as well as factors such as the circumstances at the time of transactions, transaction dates and geographic areas are considered so as to reasonably estimate the fair value of the investment property. Alternatively, the fair value of the investment property is determined based on the expected future rental income and the present value of the relevant cash flows.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

2.18 Impairment of non-financial assets

At the end of the Reporting Period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of financial lease receivables less unearned finance income is listed as other assets for presentation.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(b) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

2.20 Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.21 Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

2.22 Current and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Reporting Period.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income taxes *(Continued)*

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Reporting Period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the Reporting Period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax are also recognised in other comprehensive income.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.23 Share capital

(a) Share capital

Share capital comprises ordinary shares issued.

(b) Share issue costs

External costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share capital *(Continued)*

(c) Dividends on ordinary shares

Dividends on ordinary shares are recognised in the financial period in which they are declared and approved by the Bank's shareholders.

2.24 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are accounted for as financial guarantees and credit related commitments transactions and are disclosed as contingent liabilities and commitments.

2.25 Employee benefits

(a) Staff benefit and retirement benefit obligations

In the Reporting Period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability. The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are charged to profit or loss in the period when they are incurred.

The Group pays supplementary retirement benefits to employees in Mainland China who retired before 31 December 2008. The Group accrues a liability based on actuarial techniques and recognises all actuarial gains and losses in profit or loss.

Employees in Mainland China who retired after 1 January 2009 participate in the defined contribution plan established (the "Annuity Plan") by the Group. The Group contributes a certain portion of the employees' gross salaries to the Annuity Plan. Related expenses are recognised in profit or loss when incurred.

The Group pays the welfare benefits for employees, who have not yet reached the statutory retirement age limit and are approved by the Group to voluntarily retire from their employment, from the internal retirement date to the statutory retirement age limit. These welfare benefits are recognised in profit or loss based on the discounted cash flow calculation over the implementation period. The Group reviews present value of the welfare benefits on each reporting date, with any changes recognised in profit or loss.

(b) Share-based compensation

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments is cash-settled share-based payments.

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The value of share appreciation rights ("SARs") granted by the Group is determined by applying the binominal option pricing model.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Foreign currency translation

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank and the Group's domestic subsidiaries operate. Therefore, the Bank and the Group's domestic subsidiaries choose RMB as their functional currency. The Bank and the Group's foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions.

At the reporting date, foreign currency monetary items are translated into RMB using the spot exchange rates at the reporting date. Exchange differences arising from the differences between the spot exchange rates prevailing at the reporting date and those on initial recognition or at the previous reporting date are recognised in profit or loss for the period, except that (1) exchange differences related to hedging instruments for the purpose of hedging against foreign exchange risks are accounted for using hedge accounting; (2) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income; and (3) exchange differences arising on a foreign currency monetary item that forms part of the Bank's net investment in a foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation and foreign currency monetary items that form part of the net investment in such foreign operation attributable to the owners' equity of the Group and presented under shareholder's equity in the statement of financial position, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

2.27 Contingent liabilities and contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Insurance contracts

(a) Insurance contract

Insurance contract of the Group's insurance subsidiaries includes direct insurance contracts and reinsurance contracts. For contracts entered into by the Group and policyholders, the Group undertakes insurance risks when the occurrence of deaths, disabilities, diseases, maturities, contractual age or payment term is likely to cause the Group to undertake the insurance claim liability. Direct insurance contracts are contracts that the Group undertakes significant insurance risks. Reinsurance contracts signed between the Group and other insurers are accounted for as reinsurance contracts when a significant portion of insurance risk has been transferred.

(b) Income and cost of the insurance contract

Premium revenue will be recognised by the Group when a direct insurance contract has been entered into whereby the related insurance obligation has been assumed; it is probable that the economic benefits associated with the direct insurance contract will flow to the insurer; and the amount of revenue associated with the direct insurance contract can be measured reliably. For direct life insurance contracts, premium revenue of those contracts which require periodic payments of premiums shall be recognised according to the amount of premiums due within the accounting period; and premium revenue of those lump-sum-payment contracts shall be recognised according to the amount of premium due on a lump sum basis. For direct non-life insurance contracts, premium revenue shall be determined based on the total written premiums of the direct non-life insurance contracts.

Upon early termination of a direct insurance contract, the insurer shall determine, according to the terms of the insurance contract, the amount needed to be refunded to the policyholder and recognise the amount in profit or loss for the period as a surrender charge.

Costs of direct insurance contracts are the gross outflows of economic benefits arising under direct insurance contracts that result in decreases in owner's equity, other than those relating to profit appropriation to owners. Costs of direct insurance contracts mainly include handling costs, commissions, costs of claims and benefits, and different kinds of insurance contract reserves accrued.

(c) Insurance contract reserves

The Group calculates insurance contract reserves at each reporting date to reflect insurance contract liability. The Group's insurance contract reserves are comprised of the life-insurance contract reserves and non-life insurance contract reserves. The life insurance contract reserves include life insurance liability reserves, long-term health liability reserves, which are composed of unearned premium reserves and outstanding claim reserves. The non-life insurance contract reserves include unearned premium reserves and outstanding claim reserves.

2.29 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the Group's consolidated financial statements where the Group acts in a fiduciary capacity such as trustee, custodian or agent.

The Group conducts entrusted lending for the third-party lenders. The Group grants loans to borrowers, as trustee, according to the instruction of the third-party lenders who fund these loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

2.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the senior management team as represented by the governor as its chief operating decision maker.

An operating segment is a component of the Group with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial information for the component is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment income and expenses are eliminated. Income and expenses directly associated with each segment are considered in determining segment performance.

The Group has the following segments: Northern China, North Eastern China, Eastern China, Central and Southern China, Western China, Head Office, and Overseas.

2.32 Offset financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of a certain degree of risks or a portfolio of risks. Risk management is core to the financial business, and business risks are inevitable as a result. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and latest best practice.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Overview *(Continued)*

The Board of Directors sets out strategies and risk preference for overall risk management strategy and decides the risk tolerance level. The senior management establishes related risk management policies and procedures under the strategy approved by the Board of Directors, including policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. The Chief Risk Officer assumes the overall risk management responsibility on behalf of the senior management. The Risk Management Department at Head Office undertakes the overall risk management function of the Group. The risk management division in each Head Office's department, the Risk Management Department of each domestic and overseas branch and subsidiary undertakes the specific risk management function. In addition, internal audit department is responsible for the independent review of risk management and the control environment.

The main types of financial risks of the Group are credit risk, liquidity risk and market risk which also includes foreign exchange risk, interest rate risk and other price risk.

3.1 Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or is unwilling to meet its obligations under a contract. Significant changes in the economy, credit quality of a particular industry segment in the Group's portfolio, could result in a loss amount different from the loss provision at the end of the reporting date. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally from loans and advances, investment securities, derivative instruments and due from banks and other financial institutions. There is also credit risk in off-balance sheet financial arrangements such as loan commitments, financial guarantees, acceptances and letters of credit. The majority of the Group's operation is located within Mainland China, where different regions in China have their own unique characteristics in economic development. For example, the economic development in the eastern provinces is better than that in the western provinces. The Risk Management Department at Head Office is responsible for the overall management of the Group's credit risk, and reports to the Bank's senior management and Board of Directors regularly. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a particular borrower. Such limits are monitored on a regular basis and subject to an annual review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also controlled by obtaining collaterals and corporate and individual guarantees.

3.1.1 Credit risk assessment

(a) *Loans and advances to customers and off-balance sheet commitments*

In assessing credit risk of loan and advances to corporate customers and off-balance sheet commitments at a counterparty level, the Group considers three factors: (i) the "probability of default" by the customer or counterparty on its contractual obligations; (ii) current exposure to the counterparty and possible future development, from which the Group derives the "exposure at default"; and (iii) the recovery ratio on the defaulted obligation (the "loss given default").

Exposure at default is based on the loan amount the Group has already lent out at the time of default. For a commitment, the Group includes any amount already drawn plus any further amount that may have been drawn by the time of default, should it occur.

Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should a default occurs. It is expressed as the loss percentage per unit of exposure and typically varies by nature of counterparty, type and seniority of claim and availability of collaterals or other credit mitigations.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.1 Credit risk assessment *(Continued)*

(a) *Loans and advances to customers and off-balance sheet commitments (Continued)*

These credit risk measurements, which reflect expected loss (the expected loss model), are in accordance with the banking regulations and requirements of regulatory measures of the Basel Committee on Banking Supervision (the "Basel Committee"), and are applied in the daily operations of the Group. In contrast, the provision for impairment of IAS 39 is based on the loss that has been incurred rather than the expected loss at the date of the consolidated statement of financial position.

According to the Basel New Capital Accord and requirements of internal rating system supervision guidelines issued by China Banking Regulatory Commission ("CBRC"), an internal rating system was implemented in the Group. The Bank summarised a series of financial and other related factors to build the internal credit rating model for corporate customers, which is based on historical data collection, data statistics and data analysis on the characteristics of risks of the clients before the default occurs. Internal rating model applies the principle of regression to forecast the probability of default in the future 12 months, and then matches the probability of default with relevant rank of default risk which decides the borrower's credit rank within the internal rating system. In order to improve the system's accuracy and stability, the back-test will be performed against the actual default status of borrowers and rating results every six months by the Bank.

The Group periodically identifies potential risks in the corporate loan assets based on its three-hierarchy risk identification method through the asset risk management system, and applies discounted cash flow model to assess the expected losses on loan-by-loan basis to identify impaired loan assets. With regard to the impaired loan assets, the Group develops customer-based action plan, appointed certain employee for further clearing, retrieval and disposal, and provides impairment allowance in accordance with the expected losses. With regard to the loan assets not impaired, the Group performs collective assessment based on its migration model.

The Group has issued credit commitments, guarantees and letters of credit. The primary purpose of these instruments is to ensure that funds are available to customers as required. These instruments represent irrevocable assurances that the Group will make payments in the events that a customer cannot meet its obligations to third parties. These instruments carry similar credit risk as loans, so the Group manages such credit risk together with loan portfolio.

The Group monitors the overdue status of its loans and advances to individual customers to manage credit risk. The Group analyses credit exposures by industry, geography and customer type. This information is monitored regularly by senior management.

In the internal rating system, the credit rating of domestic customers and businesses has been divided into 15 non-default grades and one default grade based on the probability of default. The criteria of the grade of non-default customers and businesses are assessed based on the probability of default in the future 12 months. Customers and businesses with default grade are those meet the Group's definition of default.

(b) *Debt securities*

For debt securities and other bills, external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk. The investment in those securities and bills is to have better credit quality assets while maintaining readily available funding sources.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.1 Credit risk assessment *(Continued)*

(c) *Derivative instruments*

The Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except when the Group requires margin deposits from counterparties. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

(d) *Due from banks and other financial institutions*

The Group manages the credit quality of due from and placements with banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

3.1.2 Risk limit control and mitigation measures

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, company and groups, industry segments and geographical regions.

The Group structures the levels of credit risk it undertakes by placing limits in relation to one borrower, or groups of borrowers. Such risks are monitored on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Risk limit control and mitigation measures *(Continued)*

Some other specific control and risk mitigation measures are outlined below:

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most useful practice is to accept collaterals. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

The value of collaterals at the time of loan origination is determined by the Credit Authorisation Department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

Collateral	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	60%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and individual customers are generally secured; while revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collaterals from the counterparties as soon as impairment indicators are noted for the relevant individual loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, treasury bonds and PBOC bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Risk limit control and mitigation measures *(Continued)*

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as each transaction subject to the arrangement is affected by credit risk.

3.1.3 Impairment and provision policies

The internal rating system described in Note 3.1.1 focuses more on credit-quality mapping from the inception of lending activities. In contrast, impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the end of the reporting date based on objective evidence of impairment (see Note 2.6). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating system assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, profit margin);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such loans and advances.

The Group's policy requires the review of individual financial assets that have objective evidence of impairment at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed financial assets are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collaterals held (including re-confirmation of its enforceability) and the anticipated cash flows for that individual asset.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Group

	As at 31 December 2012	As at 31 December 2011 (Restated)
Assets		
Balances with central banks	798,027	720,745
Due from banks and other financial institutions	520,963	443,240
Financial assets at fair value through profit or loss (debt securities and derivatives)	51,433	48,290
Loans and advances to customers		
— Loans to corporate entities	2,286,909	2,002,703
— Loans to individuals	592,719	502,682
Investment securities — loans and receivables	30,395	28,256
Investment securities — available-for-sale (debt securities)	202,046	181,350
Investment securities — held-to-maturity	598,615	544,761
Other financial assets	106,441	70,822
	5,187,548	4,542,849
Off-balance sheet exposures		
Guarantees, acceptances and letters of credit	927,111	748,710
Other credit related commitments	436,565	369,949
	1,363,676	1,118,659

Bank

	As at 31 December 2012	As at 31 December 2011 (Restated)
Assets		
Balances with central banks	797,544	720,522
Due from other banks and financial institutions	521,774	441,063
Financial assets at fair value through profit or loss (debt securities and derivatives)	51,433	48,249
Loans and advances to customers		
— Loans to corporate entities	2,287,267	2,003,300
— Loans to individuals	589,507	499,529
Investment securities — loans and receivables	30,020	28,029
Investment securities — available-for-sale (debt securities)	200,819	180,299
Investment securities — held-to-maturity	597,558	544,653
Other financial assets	36,665	24,116
	5,112,587	4,489,760
Off-balance sheet exposures		
Guarantees, acceptances and letters of credit	926,530	748,702
Other credit related commitments	436,542	369,949
	1,363,072	1,118,651

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.4 *Maximum exposure to credit risk before collateral held or other credit enhancements* *(Continued)*

The above table represents a worse case scenario of credit risk exposure to the Group as at 31 December 2012 and 2011, without taking account of any related collaterals or other credit enhancements. For on-balance sheet assets, the exposures above are based on carrying amounts as reported in the statement of financial position.

As shown above, 56% of the total on-balance sheet exposure is derived from loans and advances to customers (2011: 55%).

Management is confident in its ability to continuously control and sustain a minimal exposure to credit risk to the Group based on the following performance of its loans and advances portfolio:

- Mortgage loans, which represent the biggest portion in the individual portfolio, are backed by collaterals;
- 99% of the loans and advances portfolio are neither past due nor impaired (2011: 99%);
- The impaired loans to loans and advances to customers is 0.92%. (2011: 0.86%).

3.1.5 *Loans and advances to customers*

Group

	As at 31 December 2012		As at 31 December 2011	
	Loans and advances to customers	Due from banks and other financial institutions	Loans and advances to customers	Due from banks and other financial institutions
Neither past due nor impaired	2,906,618	520,951	2,534,580	443,228
Past due but not impaired	13,686	12	5,184	12
Individually impaired	26,995	—	21,986	—
Gross	2,947,299	520,963	2,561,750	443,240
Less: allowance for collectively assessed impairment losses	(55,187)	—	(45,115)	—
Less: allowance for individually assessed impairment losses	(12,484)	—	(11,250)	—
Net	2,879,628	520,963	2,505,385	443,240

Bank

	As at 31 December 2012		As at 31 December 2011	
	Loans and advances to customers	Due from banks and other financial institutions	Loans and advances to customers	Due from banks and other financial institutions
Neither past due nor impaired	2,903,881	521,762	2,532,001	441,051
Past due but not impaired	13,675	12	5,184	12
Individually impaired	26,793	—	21,986	—
Gross	2,944,349	521,774	2,559,171	441,063
Less: allowance for collectively assessed impairment losses	(55,141)	—	(45,092)	—
Less: allowance for individually assessed impairment losses	(12,434)	—	(11,250)	—
Net	2,876,774	521,774	2,502,829	441,063

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

As at 31 December 2012, the Group's total impairment allowances for loans and advances to customers are RMB67,671 million (2011: RMB56,365 million) of which RMB12,484 million (2011: RMB11,250 million) represents those for individually assessed impaired loans and the remaining amount of RMB55,187 million (2011: RMB45,115 million) represents those for collectively assessed impaired loans. Further information about the impairment allowances for loans and advances to customers is provided in Note 20.

As at 31 December 2012, the Group's total loans and advances to customers increased by 15.05% as a result of the continuous increase of market demand in Mainland China. When entering into a new market or new industry, the Group targets at large enterprises or other financial institutions with good credit ratings or customers with sufficient collaterals in order to minimise the potential risk of increased credit risk exposure.

(a) *Loans and advances neither past due nor impaired*

The Group monitors the credit risk of loans and advances neither past due nor impaired by applying its internal 16 grading system to customers.

Group

As at 31 December 2012

Neither past due nor impaired

	Internal Rating System				
	Grade 1–8	Grade 9–12	Grade 13–15	Unrated	Total
Mainland corporate loans and advances					
— Loans	1,753,867	123,639	2,377	—	1,879,883
— Discounted bills	24,349	4,305	11	35,212	63,877
— Trade finance	108,908	3,311	—	—	112,219
Mainland individual loans and advances	510,007	32,466	407	24,750	567,630
Total	2,397,131	163,721	2,795	59,962	2,623,609
Overseas branches, offshore center and subsidiaries					283,009

Bank

As at 31 December 2012

Neither past due nor impaired

	Internal Rating System				
	Grade 1-8	Grade 9-12	Grade 13-15	Unrated	Total
Mainland corporate loans and advances					
— Loans	1,753,867	123,639	2,377	—	1,879,883
— Discounted bills	24,349	4,305	11	35,212	63,877
— Trade finance	108,908	3,311	—	—	112,219
Mainland individual loans and advances	510,007	32,466	407	24,750	567,630
Total	2,397,131	163,721	2,795	59,962	2,623,609
Overseas branches and offshore center					280,272

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 ***Loans and advances to customers*** *(Continued)*

(b) *Loans and advances past due but not impaired*

Gross amount of loans and advances by types of customers that are past due but not impaired are as follows:

Group

As at 31 December 2012

	Past due up to 30 days	Past due 31 — 60 days	Past due 61 — 90 days	Past due over 90 days	Total	Fair value of collateral
Corporate entities						
— Commercial loans	2,586	1,930	1,006	—	5,522	5,323
Individual						
— Mortgages	1,804	590	245	—	2,639	1,708
— Credit Cards	2,378	503	329	—	3,210	—
— Other	460	633	1,222	—	2,315	1,485
Total	7,228	3,656	2,802	—	13,686	8,516
Due from banks and other financial institutions	—	—	—	12	12	16

Bank

As at 31 December 2012

	Past due up to 30 days	Past due 31 — 60 days	Past due 61 — 90 days	Past due over 90 days	Total	Fair value of collateral
Corporate entities						
— Commercial loans	2,579	1,930	1,006	—	5,515	5,315
Individual						
— Mortgages	1,804	590	245	—	2,639	1,708
— Credit Cards	2,378	503	329	—	3,210	—
— Other	460	633	1,218	—	2,311	1,485
Total	7,221	3,656	2,798	—	13,675	8,508
Due from banks and other financial institutions	—	—	—	12	12	16

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(b) *Loans and advances past due but not impaired (Continued)*

Group

As at 31 December 2011

	Past due up to 30 days	Past due 31 — 60 days	Past due 61 — 90 days	Past due over 90 days	Total	Fair value of collateral
Corporate entities						
— Commercial loans	171	42	42	—	255	547
Individual						
— Mortgages	1,301	368	138	—	1,807	2,811
— Credit Cards	2,159	300	—	—	2,459	—
— Other	457	150	56	—	663	970
Total	4,088	860	236	—	5,184	4,328
Due from banks and other financial institutions	—	—	—	12	12	16

Bank

As at 31 December 2011

	Past due up to 30 days	Past due 31 — 60 days	Past due 61 — 90 days	Past due over 90 days	Total	Fair value of collateral
Corporate entities						
— Commercial loans	171	42	42	—	255	547
Individual						
— Mortgages	1,301	368	138	—	1,807	2,811
— Credit Cards	2,159	300	—	—	2,459	—
— Other	457	150	56	—	663	970
Total	4,088	860	236	—	5,184	4,328
Due from banks and other financial institutions	—	—	—	12	12	16

The fair value of collaterals was estimated by management based on the latest available external valuations, adjusted for the current market situation and management's experience in realisation of collaterals.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(c) *Loans and advances individually impaired*

As at 31 December 2012, individually impaired loans and advances to customers before taking into consideration the collaterals held is RMB26,995 million (2011: RMB21,986 million).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collaterals held by the Group as security, are as follows:

Group

	As at 31 December 2012	As at 31 December 2011
Corporate entities	21,896	19,194
Individual	5,099	2,792
Individually impaired loans	26,995	21,986
Fair value of collaterals		
Corporate entities	6,465	5,077
Individual	2,743	2,570
Individually impaired loans	9,208	7,647

Bank

	As at 31 December 2012	As at 31 December 2011
Corporate entities	21,896	19,194
Individual	4,897	2,792
Individually impaired loans	26,793	21,986
Fair value of collaterals		
Corporate entities	6,465	5,077
Individual	2,743	2,570
Individually impaired loans	9,208	7,647

No individually impaired due from banks and other financial institutions is held by the Group as at 31 December 2012 and 31 December 2011.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 *Loans and advances to customers* *(Continued)*

(d) *Geographical risk concentration for loans and advances to customers (gross)*

Group

	As at 31 December 2012	%	As at 31 December 2011	%
PRC domestic regions				
— Shanghai	355,443	12.06	285,835	11.16
— Jiangsu	347,651	11.80	315,655	12.32
— Beijing	292,119	9.91	271,290	10.59
— Guangdong	240,206	8.15	206,998	8.08
— Zhejiang	222,832	7.56	199,281	7.78
— Shandong	134,593	4.57	113,036	4.41
— Hubei	97,732	3.32	85,393	3.33
— Henan	96,411	3.27	84,989	3.32
— Others	944,639	32.04	812,828	31.73
PRC domestic regions total	2,731,626	92.68	2,375,305	92.72
Hong Kong, Macau, Taipei and overseas regions	215,673	7.32	186,445	7.28
Gross amount of loans and advances to customers before allowance for impairment	2,947,299	100.00	2,561,750	100.00

Bank

	As at 31 December 2012	%	As at 31 December 2011	%
PRC domestic regions				
— Shanghai	355,416	12.07	285,823	11.17
— Jiangsu	347,651	11.81	315,655	12.33
— Beijing	292,119	9.92	271,290	10.60
— Guangdong	240,206	8.16	206,998	8.09
— Zhejiang	221,564	7.53	198,449	7.75
— Shandong	134,371	4.56	113,036	4.42
— Hubei	97,232	3.30	84,703	3.31
— Henan	96,411	3.27	84,989	3.32
— Others	943,383	32.04	812,108	31.74
PRC domestic regions total	2,728,353	92.66	2,373,051	92.73
Hong Kong, Macau, Taipei and overseas regions	215,996	7.34	186,120	7.27
Gross amount of loans and advances to customers before allowance for impairment	2,944,349	100.00	2,559,171	100.00

A geographical PRC domestic region is reported where it contributes 3% and more of the relevant disclosure item.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(e) Industry analysis

The economic sector risk concentration for loans and advances to customers (gross)

Group

	As at 31 December 2012	%	As at 31 December 2011	%
Corporate loans				
Mining	72,000	2.44	51,040	1.99
Manufacturing				
— Petroleum and chemical	113,677	3.86	103,193	4.03
— Electronics	53,813	1.83	52,532	2.05
— Steel	45,739	1.55	42,547	1.66
— Machinery	106,908	3.63	89,785	3.50
— Textile and clothing	38,758	1.32	34,996	1.37
— Other manufacturing	225,276	7.64	188,906	7.37
Electricity, gas and water production and supply	132,394	4.49	141,316	5.52
Construction	93,246	3.16	80,621	3.15
Transportation, storage and postal service	363,797	12.34	329,566	12.86
Telecommunication, IT service and software	10,080	0.34	10,195	0.40
Wholesale and retail	389,695	13.22	290,874	11.35
Accommodation and catering	23,358	0.79	21,009	0.82
Financial institutions	23,471	0.80	22,995	0.90
Real estate	179,862	6.10	158,688	6.19
Services	184,211	6.25	160,039	6.25
Water conservancy, environmental and other public services	137,343	4.66	151,161	5.90
Education	37,596	1.28	32,647	1.27
Others	49,784	1.69	40,136	1.58
Discounted bills	64,769	2.20	50,197	1.96
Total corporate loans	2,345,777	79.59	2,052,443	80.12
Individual loans				
Mortgage loans	358,258	12.16	312,897	12.22
Credit card advances	119,212	4.04	74,194	2.90
Medium-term and long-term working capital loans	55,172	1.87	51,060	1.99
Short-term working capital loans	31,672	1.07	37,495	1.46
Car loans	3,514	0.12	5,632	0.22
Others	33,694	1.15	28,029	1.09
Total individual loans	601,522	20.41	509,307	19.88
Gross amount of loans and advances before allowance for impairment	2,947,299	100.00	2,561,750	100.00

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(e) Industry analysis (Continued)

The economic sector risk concentration for loans and advances to customers (gross) *(Continued)*

Bank

	As at 31 December 2012	%	As at 31 December 2011	%
Corporate loans				
Mining	72,000	2.45	51,033	1.99
Manufacturing				
— Petroleum and chemical	113,659	3.86	103,193	4.03
— Electronics	53,808	1.83	52,532	2.05
— Steel	45,739	1.55	42,547	1.66
— Machinery	106,863	3.63	89,785	3.51
— Textile and clothing	38,724	1.32	34,996	1.37
— Other manufacturing	224,297	7.62	188,231	7.36
Electricity, gas and water production and supply	132,374	4.50	141,311	5.52
Construction	93,087	3.16	80,567	3.15
Transportation, storage and postal service	363,660	12.35	330,180	12.90
Telecommunication, IT service and software	10,080	0.34	10,194	0.40
Wholesale and retail	387,913	13.17	290,676	11.36
Accommodation and catering	23,336	0.79	21,004	0.82
Financial institutions	27,527	0.93	24,780	0.97
Real estate	179,982	6.11	158,652	6.20
Services	184,211	6.26	160,039	6.25
Water conservancy, environmental and other public services	137,343	4.66	151,148	5.91
Education	37,583	1.28	32,638	1.28
Others	49,150	1.67	39,324	1.53
Discounted bills	64,769	2.20	50,197	1.96
Total corporate loans	2,346,105	79.68	2,053,027	80.22
Individual loans				
Mortgage loans	358,217	12.17	312,850	12.22
Credit card advances	119,212	4.05	74,194	2.90
Medium-term and long-term working capital loans	55,078	1.87	50,796	1.99
Short-term working capital loans	30,709	1.04	37,195	1.45
Car loans	3,514	0.12	5,632	0.22
Others	31,514	1.07	25,477	1.00
Total individual loans	598,244	20.32	506,144	19.78
Gross amount of loans and advances before allowance for impairment	2,944,349	100.00	2,559,171	100.00

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(f) *Loans and advances to customers analysed by contractual maturity and security type (gross)*

Group

	As at 31 December 2012			
	Within 1 year (inclusive)	1 year to 5 years (inclusive)	Over 5 years	Total
Unsecured loans	414,230	180,651	216,631	811,512
Guaranteed loans	479,423	177,979	137,269	794,671
Collateralised and other secured loans	406,324	317,023	617,769	1,341,116
— loans secured by property and other immovable assets	228,654	264,663	502,150	995,467
— other pledged loans	177,670	52,360	115,619	345,649
Gross amount of loans and advances before allowance for impairment	1,299,977	675,653	971,669	2,947,299

	As at 31 December 2011			
	Within 1 year (inclusive)	1 year to 5 years (inclusive)	Over 5 years	Total
Unsecured loans	307,197	223,936	200,975	732,108
Guaranteed loans	345,347	205,655	121,718	672,720
Collateralised and other secured loans	352,106	292,766	512,050	1,156,922
— loans secured by property and other immovable assets	195,945	244,139	422,252	862,336
— other pledged loans	156,161	48,627	89,798	294,586
Gross amount of loans and advances before allowance for impairment	1,004,650	722,357	834,743	2,561,750

Bank

	As at 31 December 2012			
	Within 1 year (inclusive)	1 year to 5 years (inclusive)	Over 5 years	Total
Unsecured loans	414,283	181,357	217,280	812,920
Guaranteed loans	476,286	177,521	137,269	791,076
Collateralised and other secured loans	403,436	316,761	620,156	1,340,353
— loans secured by property and other immovable assets	228,340	264,401	502,810	995,551
— other pledged loans	175,096	52,360	117,346	344,802
Gross amount of loans and advances before allowance for impairment	1,294,005	675,639	974,705	2,944,349

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Loans and advances to customers *(Continued)*

(f) Loans and advances to customers analysed by contractual maturity and security type (gross) (Continued)

	As at 31 December 2011			
	Within 1 year (inclusive)	1 year to 5 years (inclusive)	Over 5 years	Total
Unsecured loans	308,078	223,503	201,463	733,044
Guaranteed loans	344,504	205,224	121,717	671,445
Collateralised and other secured loans	349,830	292,177	512,675	1,154,682
— loans secured by property and other immovable assets	196,230	243,573	422,239	862,042
— other pledged loans	153,600	48,604	90,436	292,640
Gross amount of loans and advances before allowance for impairment	1,002,412	720,904	835,855	2,559,171

3.1.6 Investment securities

The table below presents an analysis of investment securities, excluding derivatives, by independent rating agencies designation as at 31 December 2012 and 2011:

Group

	As at 31 December 2012				
	Investment securities — loans and receivables	Investment securities — available-for-sale (debt securities)	Investment securities — held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	Total
RMB securities					
AAA	34	15,112	119,732	7,051	141,929
AA- to AA+	400	4,862	10,977	1,445	17,684
A- to A+	–	692	–	–	692
BBB- to BBB+	–	–	–	–	–
Unrated[(a)]	29,961	142,165	466,755	28,952	667,833
Sub-total	30,395	162,831	597,464	37,448	828,138
Foreign currency securities					
AAA	–	2,196	325	1,844	4,365
AA- to AA+	–	10,124	501	2,896	13,521
A- to A+	–	9,881	56	904	10,841
BBB- to BBB+	–	388	–	73	461
Unrated[(a)]	–	16,626	269	1,790	18,685
Sub-total	–	39,215	1,151	7,507	47,873
Total	30,395	202,046	598,615	44,955	876,011

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Investment securities *(Continued)*

Bank

	As at 31 December 2012				
	Investment securities — loans and receivables	Investment securities — available-for-sale (debt securities)	Investment securities — held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	Total
RMB securities					
AAA	25	14,741	119,111	7,051	140,928
AA- to AA+	400	4,567	10,825	1,445	17,237
A- to A+	—	692	—	—	692
BBB- to BBB+	—	—	—	—	—
Unrated[(a)]	29,595	142,165	466,756	28,952	667,468
Sub-total	30,020	162,165	596,692	37,448	826,325
Foreign currency securities					
AAA	—	2,196	325	1,844	4,365
AA- to AA+	—	9,890	235	2,896	13,021
A- to A+	—	9,881	38	904	10,823
BBB- to BBB+	—	388	—	73	461
Unrated[(a)]	—	16,299	268	1,790	18,357
Sub-total	—	38,654	866	7,507	47,027
Total	30,020	200,819	597,558	44,955	873,352

Group

	As at 31 December 2011				
	Investment securities — loans and receivables	Investment securities — available-for-sale (debt securities)	Investment securities — held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	Total
RMB securities					
AAA	25	35,505	126,522	15,009	177,061
AA- to AA+	1,720	6,930	12,873	5,138	26,661
A- to A+	—	—	54	188	242
BBB- to BBB+	—	—	—	—	—
Unrated[(a)]	26,511	110,409	403,404	14,205	554,529
Sub-total	28,256	152,844	542,853	34,540	758,493
Foreign currency securities					
AAA	—	5,115	691	3,155	8,961
AA- to AA+	—	10,413	215	2,104	12,732
A- to A+	—	7,804	117	1,070	8,991
BBB- to BBB+	—	322	—	188	510
Unrated[(a)]	—	4,852	885	1,648	7,385
Sub-total	—	28,506	1,908	8,165	38,579
Total	28,256	181,350	544,761	42,705	797,072

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 *Investment securities* *(Continued)*

Bank

	As at 31 December 2011				
	Investment securities — loans and receivables	Investment securities — available-for-sale (debt securities)	Investment securities — held-to-maturity	Financial assets at fair value through profit or loss (debt securities)	Total
RMB securities					
AAA	25	35,200	126,492	15,009	176,726
AA- to AA+	1,720	6,603	12,813	5,138	26,274
A- to A+	–	–	54	188	242
BBB- to BBB+	–	–	–	–	–
Unrated[(a)]	26,284	110,395	403,404	14,205	554,288
Sub-total	28,029	152,198	542,763	34,540	757,530
Foreign currency securities					
AAA	–	5,113	691	3,155	8,959
AA- to AA+	–	10,209	215	2,104	12,528
A- to A+	–	7,804	99	1,070	8,973
BBB- to BBB+	–	322	–	188	510
Unrated[(a)]	–	4,653	885	1,607	7,145
Sub-total	–	28,101	1,890	8,124	38,115
Total	28,029	180,299	544,653	42,664	795,645

(a) These mainly represent investments and trading securities issued by Ministry of Finance of the PRC ("MOF"), the PBOC and policy banks which are creditworthy issuers in the market, but are not rated by independent rating agencies.

The total gross amount of individually impaired debt securities as at 31 December 2012 is RMB1,179 million (31 December 2011: RMB1,182 million). No collaterals is held by the Group in respect of these impaired securities, and the impairment provision is RMB1,179 million as at 31 December 2012 (31 December 2011: RMB1,182 million).

3.1.7 *Derivative instruments*

The Group undertakes its transactions in foreign exchange and interest rate derivative contracts and others with other financial institutions and customers. Management has established limits for these contracts based on counterparties, industry sectors and countries. Actual credit exposures and limits are regularly monitored and controlled by management.

Credit risk weighted amounts

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Derivatives		
— Exchange rate contracts	3,012	2,276
— Interest rate contracts and others	464	520
	3,476	2,796

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.7 *Derivative instruments* *(Continued)*

The credit risk weighted amounts are the amounts calculated with reference to the guidelines issued by the CBRC and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have not taken the effects of netting arrangements into account.

3.1.8 *Foreclosed assets*

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Residential properties	21	24
Business properties	62	91
Others	343	115
Total	426	230

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

3.1.9 *Concentration risk analysis for financial assets with credit risk exposure*

Geographical sectors

Group

	PRC	Hong Kong	Others	Total
As at 31 December 2012				
Financial Assets				
Balances with central banks	785,894	587	11,546	798,027
Due from banks and other financial institutions	472,940	38,563	9,460	520,963
Financial assets at fair value through profit or loss (debt securities and derivatives)	43,781	3,049	4,603	51,433
Loans and advances to customers	2,704,358	142,419	32,851	2,879,628
Investment securities — loans and receivables	30,395	—	—	30,395
Investment securities — available-for-sale (debt securities)	164,919	13,934	23,193	202,046
Investment securities — held-to-maturity	597,609	25	981	598,615
Other financial assets	88,690	17,619	132	106,441
	4,888,586	216,196	82,766	5,187,548
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	912,640	6,110	8,361	927,111
Other credit related commitments	402,582	18,339	15,644	436,565
	1,315,222	24,449	24,005	1,363,676

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.9 Concentration risk analysis for financial assets with credit risk exposure *(Continued)*

Geographical sectors (Continued)

Bank

	PRC	Hong Kong	Others	Total
As at 31 December 2012				
Financial Assets				
Balances with central banks	785,411	587	11,546	797,544
Due from banks and other financial institutions	473,261	38,029	10,484	521,774
Financial assets at fair value through profit or loss (debt securities and derivatives)	39,096	2,317	3,542	44,955
Loans and advances to customers	2,699,394	142,349	35,031	2,876,774
Investment securities — loans and receivables	30,020	—	—	30,020
Investment securities — available-for-sale (debt securities)	163,925	13,934	22,960	200,819
Investment securities — held-to-maturity	596,819	25	714	597,558
Other financial assets	21,661	14,254	750	36,665
	4,809,587	211,495	85,027	5,106,109
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	912,087	6,110	8,333	926,530
Other credit related commitments	402,582	18,339	15,621	436,542
	1,314,669	24,449	23,954	1,363,072

Group

	PRC	Hong Kong	Others	Total
As at 31 December 2011				
Financial Assets				
Balances with central banks	701,407	11,723	7,615	720,745
Due from banks and other financial institutions	382,728	31,506	29,006	443,240
Financial assets at fair value through profit or loss (debt securities and derivatives)	39,859	2,201	6,230	48,290
Loans and advances to customers	2,379,646	96,916	28,823	2,505,385
Investment securities — loans and receivables	28,256	—	—	28,256
Investment securities — available-for-sale (debt securities)	157,770	3,080	20,500	181,350
Investment securities — held-to-maturity	543,757	25	979	544,761
Other financial assets	67,778	2,590	454	70,822
	4,301,201	148,041	93,607	4,542,849
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	731,384	11,466	5,860	748,710
Other credit related commitments (Restated)	338,053	20,846	11,050	369,949
	1,069,437	32,312	16,910	1,118,659

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.9 Concentration risk analysis for financial assets with credit risk exposure *(Continued)*

Geographical sectors (Continued)

Bank

	PRC	Hong Kong	Others	Total
As at 31 December 2011				
Financial Assets				
Balances with central banks	701,184	11,723	7,615	720,522
Due from banks and other financial institutions	380,969	31,372	28,722	441,063
Financial assets at fair value through profit or loss (debt securities and derivatives)	39,859	2,160	6,230	48,249
Loans and advances to customers	2,377,287	96,136	29,406	2,502,829
Investment securities — loans and receivables	28,029	—	—	28,029
Investment securities — available-for-sale (debt securities)	157,124	2,877	20,298	180,299
Investment securities — held-to-maturity	543,649	25	979	544,653
Other financial assets	22,643	1,020	453	24,116
	4,250,744	145,313	93,703	4,489,760
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	731,376	11,466	5,860	748,702
Other credit related commitments (Restated)	338,053	20,846	11,050	369,949
	1,069,429	32,312	16,910	1,118,651

The above analysis is based on the country/region in which the counterparties are located.

3.2 Market risk

3.2.1 Overview

The Group takes on exposure to market risks, which is initiated by the fluctuation of the fair value of or future cash flow of financial instruments as a result of the changes of the market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market fluctuations and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or banking portfolios.

In accordance with the requirements of the CBRC, the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either for trading intent or economic hedging in other elements of the trading book or the banking book. The banking book consists of the investment purchased by the Group with excess funds and other financial instruments that are not captured in trading book.

The Group established a management model of “large and small middle offices” for its market risk management, which is a centralised control framework lead by Board of Directors, Supervisors and senior management The asset liability management department takes the lead in the Bank’s market risk management, while business units such as financial markets department and domestic and overseas branches are the execution units of the Bank’s market risk management policies. The risk management department and the audit department are responsible for the independent verification of the market risk assessment models and management system, as well as the internal audit of the Bank.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. With regard to the interest rate and exchange rate risks of trading book, the Group established an effective limit management system by implementing Value at Risk (VaR). And net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses. In addition, through adequate pricing management and asset allocation, the Group strived to maximise its rate of return while keeping its risks under control.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.1 Overview *(Continued)*

The Group continuously improved the policy system of market risk in 2012. The Board of Directors implemented the "Stress Testing Plan of Market Risk Trading Accounts for 2012". The Group conducted the stress tests on historical scenarios and assuming scenarios in the interests of the Group's major business risk factors. The Group successfully implemented the daily automatic collection system of trading data of overseas branches. The Group conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

As part of market risk management, the Group enters into interest rate swaps to match the interest rate risk associated with the structured deposits and fixed-rate long-term debt securities.

The major measurement techniques used to measure and control market risk are outlined below:

3.2.2 VaR

VaR refers to the maximum loss that an investment portfolio may occur at a given confidence level and holding period caused by the changes of the market prices with regard to the interest rate and exchange rate risk. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type of the Group's trading portfolios is as follows:

	Year ended 31 December 2012			
Items	31 December 2012	Average	Maximum	Minimum
VaR of trading portfolios	81	66	108	21
Interest Rate Risk	22	15	35	6
Foreign exchange risk	85	69	114	12

3.2.3 Sensitivity tests

Interest rate sensitivity test

The Group performs interest rate sensitivity analysis on net interest income and other comprehensive income for the Group by measuring the impact of a change in net interest income of financial assets and liabilities, not taking customer behavior and prepayment option into consideration. On an assumption of a parallel shift of 100 basis points in RMB interest rate, the Group calculates the change in net interest income for the year and other comprehensive income on a monthly basis.

The table below illustrates the impact of coming year net interest income of the Group at 31 December 2012 and 2011 by the parallel shift of 100 basis point of interest rate structure of interest bearing assets and liabilities.

Group

	Expected change in net interest income	
	Year ended 31 December 2012	Year ended 31 December 2011
+100 basis points parallel shift in all yield curves	12,730	10,788
-100 basis points parallel shift in all yield curves	(12,730)	(10,788)

The table below illustrates the impact of other comprehensive income of the Group by the parallel shift of 100 basis point of interest rate structure:

Group

	Change of other comprehensive income	
	As at 31 December 2012	As at 31 December 2011
+100 basis points parallel shift in all yield curves	(2,507)	(3,017)
-100 basis points parallel shift in all yield curves	2,666	3,252

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.3 *Sensitivity tests*

Interest rate sensitivity test (Continued)

The results of the interest rate sensitivity tests set out in the table above is an illustrative only and is based on simplified scenarios. The figures represent the impact of the projected net interest income and other comprehensive income by the projected movement of current interest risk structure yield curves. This effect, however, does not incorporate actions that would be taken by the Group to mitigate the impact of this interest rate changes. The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net interest income due to changes in certain rates while others remain unchanged. The projections make other simplifying assumptions as well, including that all positions run to maturity. There will be changes to the projection if not letting positions run to maturity but it is not expected that the changes would be material.

Foreign exchange sensitivity test

The Group performs exchange rate sensitivity analysis on net profit and other comprehensive income for the Group by measuring the impact of a change in exchange rate on financial assets and liabilities by different currency. On an assumption of an appreciation or depreciation of RMB against US dollar and HK dollar by 5%, the Group calculates the change in net profit for the year and other comprehensive income on a monthly basis.

The table below illustrates the impact of an appreciation or depreciation of RMB against US dollar and HK dollar by 5% on the Group's net profit:

Group

	Expected change in net profit/(loss)	
	Year ended 31 December 2012	Year ended 31 December 2011
5% appreciation of RMB	(1,730)	(458)
5% depreciation of RMB	1,730	458

The table below illustrates the impact of an appreciation of RMB against US dollar and HK dollar by 5% on the Group's other comprehensive income:

Group

	Change of other comprehensive income	
	As at 31 December 2012	As at 31 December 2011
5% appreciation of RMB	(574)	(376)
5% depreciation of RMB	574	376

3.2.4 *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate because of changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce interest margin or create losses in the event that unexpected fluctuation arise.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.4 *Interest rate risk* *(Continued)*

The Group operates its business predominantly in PRC under the interest rate scheme regulated by the PBOC. According to the PBOC regulations, there is no ceiling for loan interest rates, whilst the floor for loan interest rates is 10% below the stipulated rates. The normal practice for the interest rates of both interest-bearing assets and liabilities is to move in the same direction. The Group conducts most of its domestic businesses including loans and deposits as well as the majority of financial guarantees and credit commitments based upon the PBOC basic interest rates. Consequently, the Group is less vulnerable to interest rate risk. However, there is no guarantee that the PBOC will continue this practice in the future.

The interest rate repricing risk for foreign currency denominated debt securities and the remaining part of financial guarantees and credit commitments businesses which are not based upon these basic interest rates is not expected to be significant.

The interest rate for discounted bills is determined by reference to the PBOC/market re-discount interest rate. However, it is generally lower than the interest rate for a loan with same term.

The tables below summarise the Group's exposures to interest rate risks. The tables show the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Group

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2012							
Assets							
Cash and balances with central banks	792,595	—	—	—	—	24,251	816,846
Due from banks and other financial institutions	304,931	76,834	135,076	4,080	30	12	520,963
Financial assets at fair value through profit or loss	2,781	4,110	19,262	14,609	4,193	7,206	52,161
Loans and advances to customers	1,268,138	489,672	1,059,773	46,540	15,505	—	2,879,628
Investment securities — loans and receivables	—	1,095	5,406	1,511	22,383	—	30,395
Investment securities — available-for-sale	22,220	49,510	61,614	46,021	22,681	2,562	204,608
Investment securities — held-to-maturity	13,160	29,873	79,207	310,633	165,742	—	598,615
Other assets	14,471	19,966	31,231	2,502	—	101,993	170,163
Total assets	2,418,296	671,060	1,391,569	425,896	230,534	136,024	5,273,379
Liabilities							
Due to banks and other financial institutions	(508,569)	(99,103)	(133,332)	(201,985)	—	—	(942,989)
Financial liabilities at fair value through profit or loss	(4,267)	(4,674)	(1,944)	(4,525)	—	(7,650)	(23,060)
Due to customers	(2,176,076)	(406,780)	(749,468)	(389,463)	—	(6,625)	(3,728,412)
Other liabilities	(2,599)	(3,301)	(4,881)	(30,672)	(41,351)	(114,667)	(197,471)
Total liabilities	(2,691,511)	(513,858)	(889,625)	(626,645)	(41,351)	(128,942)	(4,891,932)
Total interest sensitivity gap	(273,215)	157,202	501,944	(200,749)	189,183	7,082	381,447

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.4 Interest rate risk *(Continued)*

Bank

	Up to 1 month	1-3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2012							
Assets							
Cash and balances with central banks	792,112	—	—	—	—	24,233	816,345
Due from banks and other financial institutions	306,797	76,834	134,981	3,150	—	12	521,774
Financial assets at fair value through profit or loss	2,781	4,110	19,262	14,609	4,193	6,478	51,433
Loans and advances to customers	1,267,563	491,072	1,056,388	46,256	15,495	—	2,876,774
Investment securities — loans and receivables	—	1,095	5,294	1,248	22,383	—	30,020
Investment securities — available-for-sale	22,189	49,510	61,484	45,260	22,376	1,253	202,072
Investment securities — held-to-maturity	13,160	29,873	79,207	310,306	165,012	—	597,558
Investments in subsidiaries	—	—	—	—	—	10,238	10,238
Other assets	—	—	—	—	—	95,729	95,729
Total assets	2,404,602	652,494	1,356,616	420,829	229,459	137,943	5,201,943
Liabilities							
Due to banks and other financial institutions	(507,191)	(79,567)	(102,575)	(201,985)	—	—	(891,318)
Financial liabilities at fair value through profit or loss	(4,267)	(4,674)	(1,944)	(4,525)	—	(7,650)	(23,060)
Due to customers	(2,174,783)	(406,677)	(748,915)	(389,167)	—	(6,625)	(3,726,167)
Other liabilities	(2,306)	(3,103)	(2,488)	(30,602)	(41,351)	(104,549)	(184,399)
Total liabilities	(2,688,547)	(494,021)	(855,922)	(626,279)	(41,351)	(118,824)	(4,824,944)
Total interest sensitivity gap	(283,945)	158,473	500,694	(205,450)	188,108	19,119	376,999

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.4 Interest rate risk *(Continued)*

Group

	Up to 1 month	1-3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2011							
Assets							
Cash and balances with central banks	705,287	—	—	—	—	31,712	736,999
Due from banks and other financial institutions	348,233	18,979	75,156	860	—	12	443,240
Financial assets at fair value through profit or loss	3,971	5,179	14,318	15,605	3,632	5,717	48,422
Loans and advances to customers	1,198,327	356,612	911,744	23,290	15,412	—	2,505,385
Investment securities — loans and receivables	336	1,514	7,190	6,381	12,835	—	28,256
Investment securities — available-for-sale	13,472	32,811	31,676	70,876	32,515	2,742	184,092
Investment securities — held-to-maturity	16,441	27,363	127,321	232,064	141,572	—	544,761
Other assets	13,409	12,792	18,278	110	637	74,796	120,022
Total assets	2,299,476	455,250	1,185,683	349,186	206,603	114,979	4,611,177
Liabilities							
Due to banks and other financial institutions	(560,750)	(85,698)	(86,849)	(120,922)	(280)	—	(854,499)
Financial liabilities at fair value through profit or loss	(1,605)	(4,025)	(2,084)	(5,214)	—	(5,993)	(18,921)
Due to customers	(2,033,226)	(346,727)	(653,516)	(240,260)	—	(9,503)	(3,283,232)
Other liabilities	(248)	(10,382)	(2,910)	(13,893)	(57,575)	(96,729)	(181,737)
Total liabilities	(2,595,829)	(446,832)	(745,359)	(380,289)	(57,855)	(112,225)	(4,338,389)
Total interest sensitivity gap	(296,353)	8,418	440,324	(31,103)	148,748	2,754	272,788

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.4 ***Interest rate risk*** *(Continued)*

Bank

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2011							
Assets							
Cash and balances with central banks	705,064	–	–	–	–	31,699	736,763
Due from banks and other financial institutions	347,076	18,929	75,046	–	–	12	441,063
Financial assets at fair value through profit or loss	3,971	5,138	14,318	15,605	3,632	5,585	48,249
Loans and advances to customers	1,198,119	357,129	909,694	22,486	15,401	–	2,502,829
Investment securities – loans and receivables	336	1,514	7,159	6,249	12,771	–	28,029
Investment securities – available-for-sale	13,472	32,811	31,515	70,471	32,030	1,298	181,597
Investment securities – held-to-maturity	16,441	27,363	127,321	232,052	141,476	–	544,653
Investments in subsidiaries	–	–	–	–	–	9,344	9,344
Other assets	–	–	–	–	–	71,930	71,930
Total assets	2,284,479	442,884	1,165,053	346,863	205,310	119,868	4,564,457
Liabilities							
Due to banks and other financial institutions	(560,508)	(85,269)	(53,275)	(120,922)	(280)	–	(820,254)
Financial liabilities at fair value through profit or loss	(1,605)	(4,025)	(2,084)	(5,214)	–	(5,993)	(18,921)
Due to customers	(2,033,091)	(346,727)	(653,623)	(239,644)	–	(9,503)	(3,282,588)
Other liabilities	(28)	(10,273)	(2,544)	(11,662)	(57,575)	(90,518)	(172,600)
Total liabilities	(2,595,232)	(446,294)	(711,526)	(377,442)	(57,855)	(106,014)	(4,294,363)
Total interest sensitivity gap	(310,753)	(3,410)	453,527	(30,579)	147,455	13,854	270,094

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 *Foreign exchange risk*

The Group conducts the majority of its businesses in RMB, with certain foreign transactions in US dollar, HK dollar and other currencies. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The senior management sets limits on the level of exposure in exchange rate risk and monitoring regularly. The tables below summarise the Group's exposure to foreign exchange risk at the end of each year. The tables show the Group's total assets and liabilities in carrying amounts in RMB, and which categorised by the original currency.

Group

	RMB	US dollar	HK dollar	Others	Total
As at 31 December 2012					
Assets					
Cash and balances with central banks	795,978	14,683	1,208	4,977	816,846
Due from banks and other financial institutions	410,374	94,935	9,617	6,037	520,963
Financial assets at fair value through profit or loss	42,336	5,589	2,147	2,089	52,161
Loans and advances to customers	2,540,186	251,843	71,712	15,887	2,879,628
Investment securities — loans and receivables	30,395	—	—	—	30,395
Investment securities — available-for-sale	165,052	20,384	12,249	6,923	204,608
Investment securities — held-to-maturity	597,464	922	41	188	598,615
Other assets	159,615	3,994	5,771	783	170,163
Total assets	4,741,400	392,350	102,745	36,884	5,273,379
Liabilities					
Due to banks and other financial institutions	(805,376)	(121,427)	(5,649)	(10,537)	(942,989)
Financial liabilities at fair value through profit or loss	(4,469)	(11,153)	(6,758)	(680)	(23,060)
Due to customers	(3,410,633)	(180,120)	(114,395)	(23,264)	(3,728,412)
Other liabilities	(183,034)	(8,672)	(3,384)	(2,381)	(197,471)
Total liabilities	(4,403,512)	(321,372)	(130,186)	(36,862)	(4,891,932)
Net position	337,888	70,978	(27,441)	22	381,447
Financial guarantees and credit related commitments	1,108,398	209,460	26,673	19,145	1,363,676

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 Foreign exchange risk *(Continued)*

Bank

	RMB	US dollar	HK dollar	Others	Total
As at 31 December 2012					
Assets					
Cash and balances with central banks	795,477	14,683	1,208	4,977	816,345
Due from banks and other financial institutions	410,024	96,588	9,126	6,036	521,774
Financial assets at fair value through profit or loss	41,930	5,589	1,825	2,089	51,433
Loans and advances to customers	2,536,867	251,439	71,527	16,941	2,876,774
Investment securities — loans and receivables	30,020	—	—	—	30,020
Investment securities — available-for-sale	163,369	20,151	11,629	6,923	202,072
Investment securities — held-to-maturity	596,692	637	41	188	597,558
Investments in subsidiaries	7,321	645	2,272	—	10,238
Other assets	89,258	3,982	1,763	726	95,729
Total assets	4,670,958	393,714	99,391	37,880	5,201,943
Liabilities					
Due to banks and other financial institutions	(754,064)	(121,311)	(5,406)	(10,537)	(891,318)
Financial liabilities at fair value through profit or loss	(4,469)	(11,153)	(6,758)	(680)	(23,060)
Due to customers	(3,407,528)	(180,299)	(115,076)	(23,264)	(3,726,167)
Other liabilities	(170,515)	(8,658)	(2,846)	(2,380)	(184,399)
Total liabilities	(4,336,576)	(321,421)	(130,086)	(36,861)	(4,824,944)
Net position	334,382	72,293	(30,695)	1,019	376,999
Financial guarantees and credit related commitments	1,108,147	209,336	26,474	19,115	1,363,072

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 Foreign exchange risk *(Continued)*

Group

	RMB	US dollar	HK dollar	Others	Total
As at 31 December 2011					
Assets					
Cash and balances with central banks	712,062	5,255	12,319	7,363	736,999
Due from banks and other financial institutions	379,937	49,124	7,612	6,567	443,240
Financial assets at fair value through profit or loss	37,938	6,879	1,262	2,343	48,422
Loans and advances to customers	2,249,242	182,890	61,089	12,164	2,505,385
Investment securities — loans and receivables	28,256	—	—	—	28,256
Investment securities — available-for-sale	155,025	22,498	2,139	4,430	184,092
Investment securities — held-to-maturity	542,853	1,638	—	270	544,761
Other assets	115,544	1,012	3,220	246	120,022
Total assets	4,220,857	269,296	87,641	33,383	4,611,177
Liabilities					
Due to banks and other financial institutions	(723,832)	(113,722)	(5,779)	(11,166)	(854,499)
Financial liabilities at fair value through profit or loss	(6,035)	(7,453)	(4,862)	(571)	(18,921)
Due to customers	(3,056,701)	(105,458)	(100,925)	(20,148)	(3,283,232)
Other liabilities	(170,843)	(4,299)	(3,973)	(2,622)	(181,737)
Total liabilities	(3,957,411)	(230,932)	(115,539)	(34,507)	(4,338,389)
Net position	263,446	38,364	(27,898)	(1,124)	272,788
Financial guarantees and credit related commitments (Restated)	914,441	164,688	18,811	20,719	1,118,659

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 ***Foreign exchange risk*** *(Continued)*

Bank

	RMB	US dollar	HK dollar	Others	Total
As at 31 December 2011					
Assets					
Cash and balances with central banks	711,826	5,255	12,319	7,363	736,763
Due from banks and other financial institutions	378,112	48,823	7,561	6,567	441,063
Financial assets at fair value through profit or loss	37,938	6,838	1,130	2,343	48,249
Loans and advances to customers	2,246,998	183,456	60,211	12,164	2,502,829
Investment securities — loans and receivables	28,029	—	—	—	28,029
Investment securities — available-for-sale	153,455	22,297	1,415	4,430	181,597
Investment securities — held-to-maturity	542,763	1,620	—	270	544,653
Investments in subsidiaries	6,620	630	2,094	—	9,344
Other assets	69,302	1,011	1,371	246	71,930
Total assets	4,175,043	269,930	86,101	33,383	4,564,457
Liabilities					
Due to banks and other financial institutions	(689,931)	(113,724)	(5,433)	(11,166)	(820,254)
Financial liabilities at fair value through profit or loss	(6,035)	(7,453)	(4,862)	(571)	(18,921)
Due to customers	(3,055,040)	(105,458)	(101,942)	(20,148)	(3,282,588)
Other liabilities	(162,057)	(4,294)	(3,627)	(2,622)	(172,600)
Total liabilities	(3,913,063)	(230,929)	(115,864)	(34,507)	(4,294,363)
Net position	261,980	39,001	(29,763)	(1,124)	270,094
Financial guarantees and credit related commitments (Restated)	914,433	164,688	18,811	20,719	1,118,651

3.2.6 ***Other price risk***

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. Most of the equity investments are from the possession of foreclosed assets due to historical reasons and arise from the proprietary trading of the Group's subsidiaries which holds the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant in the Group's financial assets. The Group considers that the other price risk confronted is immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk

3.3.1 Overview

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet the demands of fund deposit withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Board of Directors set limits on the minimum proportion of funds to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. In addition, the Bank limits its loan to deposit ratio at below 75% as required by the PBOC. As at 31 December 2012, 20% (31 December 2011: 21%) of the Bank's total RMB denominated customer deposits and 5% (31 December 2011: 5%) of the total foreign currency denominated customer deposits must be deposited with the PBOC.

3.3.2 Liquidity risk management process

The Group's liquidity risk management process, as monitored by the Assets and Liabilities Management Department for RMB business and foreign exchange business, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met including replenishment of funds matured or to fulfill the commitment of lending;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities centrally at Head Office and centrally managing the utilisation of the Bank's liquid assets;
- Setting up contingency plan, regular monitoring and precaution mechanism and establishing crisis management scheme;
- Enhancing the liquidity management of overseas branches.

The Group monitors and reports cash flow measurement and projections made for the next day, week and month separately, as these are key time periods for liquidity risk management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities (Notes 3.3.3–3.3.4).

Sources of liquidity are regularly reviewed by the Assets and Liabilities Management Department respectively to maintain a wide diversification by currency, geography, customer, product and term regularly.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.3 Non-derivative financial instruments cash flows

The table below presents the cash flows of the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the end of the reporting date. The amounts disclosed in the tables are undiscounted contractual cash flows. The Group and the Bank's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

Group

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2012									
Liabilities									
Due to banks and other financial institution	(144,956)	(169,281)	(100,907)	(156,455)	(461,734)	(291)	–	–	(1,033,624)
Non-derivative financial liabilities at fair value through profit or loss	(2,433)	(1,483)	(1,368)	(4,449)	(5,973)	–	–	–	(15,706)
Due to customers	(1,722,159)	(509,277)	(413,990)	(775,736)	(407,268)	–	–	–	(3,828,430)
Debts securities issued	–	(2,197)	(2,421)	(7,559)	(42,530)	(54,035)	–	–	(108,742)
Other financial liabilities	(37,046)	(1,228)	(184)	(1,211)	(3,596)	(3,997)	–	–	(47,262)
Total liabilities (contractual maturity dates)	(1,906,594)	(683,466)	(518,870)	(945,410)	(921,101)	(58,323)	–	–	(5,033,764)
Cash and balances with central banks	133,245	–	–	–	–	–	–	683,807	817,052
Due from banks and other financial institutions	54,762	250,504	77,565	138,518	4,634	38	12	–	526,033
Non-derivative financial assets at fair value through profit or loss	–	1,215	3,298	15,346	22,842	6,498	–	728	49,927
Loans and advances to customers	–	217,929	365,699	1,050,525	921,209	1,058,139	32,046	–	3,645,547
Investment securities – loans and receivables	–	16	103	6,513	6,704	27,513	–	–	40,849
Investment securities – available-for-sale	–	7,452	16,143	43,139	116,202	46,478	787	2,562	232,763
Investment securities – held-to-maturity	–	8,606	16,773	76,519	401,515	204,860	–	–	708,273
Other financial assets	13,376	2,240	4,665	15,181	45,674	12,478	923	–	94,537
Assets held for managing liquidity risk (contractual maturity dates)	201,383	487,962	484,246	1,345,741	1,518,780	1,356,004	33,768	687,097	6,114,981

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.3 ***Non-derivative financial instruments cash flows*** *(Continued)*

Bank

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2012									
Liabilities									
Due to banks and other financial institution	(147,630)	(165,066)	(82,870)	(127,371)	(454,480)	–	–	–	(977,417)
Non-derivative financial liabilities at fair value through profit or loss	(2,433)	(1,483)	(1,368)	(4,449)	(5,973)	–	–	–	(15,706)
Due to customers	(1,721,793)	(508,350)	(413,887)	(775,502)	(406,653)	–	–	–	(3,826,185)
Debts securities issued	–	(2,197)	(2,421)	(5,496)	(42,530)	(54,035)	–	–	(106,679)
Other financial liabilities	(34,967)	–	(16)	(1,035)	(478)	(2,575)	–	–	(39,071)
Total liabilities (contractual maturity dates)	(1,906,823)	(677,096)	(500,562)	(913,853)	(910,114)	(56,610)	–	–	(4,965,058)
Cash and balances with central banks	133,215	–	–	–	–	–	–	683,336	816,551
Due from banks and other financial institutions	53,432	253,698	77,565	138,421	3,546	–	12	–	526,674
Non-derivative financial assets at fair value through profit or loss	–	1,215	3,298	15,346	22,842	6,498	–	–	49,199
Loans and advances to customers	–	215,690	364,761	1,048,441	921,058	1,061,061	31,832	–	3,642,843
Investment securities – loans and receivables	–	16	103	6,401	6,440	27,513	–	–	40,473
Investment securities – available-for-sale	–	7,420	16,143	43,011	115,441	46,172	787	1,253	230,227
Investment securities – held-to-maturity	–	8,606	16,773	76,519	401,187	204,131	–	–	707,216
Other financial assets	12,076	–	–	–	–	–	923	–	12,999
Assets held for managing liquidity risk (contractual maturity dates)	198,723	486,645	478,643	1,328,139	1,470,514	1,345,375	33,554	684,589	6,026,182

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.3 Non-derivative financial instruments cash flows *(Continued)*

Group

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2011									
Liabilities									
Due to banks and other financial institution	(143,024)	(161,393)	(100,142)	(98,600)	(429,857)	(8,379)	–	–	(941,395)
Non-derivative financial liabilities at fair value through profit or loss	(406)	(972)	(475)	(3,138)	(8,241)	–	–	–	(13,232)
Due to customers	(1,620,246)	(419,788)	(354,212)	(680,572)	(284,879)	(11,395)	–	–	(3,371,092)
Debts securities issued	–	–	(10,631)	(5,049)	(25,759)	(72,731)	–	–	(114,170)
Other financial liabilities	(38,311)	(1,227)	(31)	(351)	(1,700)	(3,487)	–	–	(45,107)
Total liabilities (contractual maturity dates)	(1,801,987)	(583,380)	(465,491)	(787,710)	(750,436)	(95,992)	–	–	(4,484,996)
Cash and balances with central banks	114,360	–	–	–	–	–	–	622,939	737,299
Due from banks and other financial institutions	62,874	285,598	19,375	77,169	1,087	–	12	–	446,115
Non-derivative financial assets at fair value through profit or loss	–	2,069	2,960	15,448	21,533	6,790	–	132	48,932
Loans and advances to customers	–	178,125	316,836	916,990	826,569	888,626	18,843	–	3,145,989
Investment securities – loans and receivables	–	330	1,551	8,419	9,665	16,385	–	–	36,350
Investment securities – available-for-sale	–	3,022	10,866	34,796	111,268	52,541	722	2,742	215,957
Investment securities – held-to-maturity	–	7,298	13,032	127,269	310,926	185,181	–	–	643,706
Other financial assets	5,134	1,738	2,286	10,271	28,635	11,834	702	–	60,600
Assets held for managing liquidity risk (contractual maturity dates)	182,368	478,180	366,906	1,190,362	1,309,683	1,161,357	20,279	625,813	5,334,948

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.3 ***Non-derivative financial instruments cash flows*** *(Continued)*

Bank

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2011									
Liabilities									
Due to banks and other financial institution	(145,570)	(158,444)	(93,753)	(69,699)	(429,857)	(8,379)	–	–	(905,702)
Non-derivative financial liabilities at fair value through profit or loss	(406)	(972)	(475)	(3,138)	(8,241)	–	–	–	(13,232)
Due to customers	(1,620,112)	(419,788)	(354,155)	(680,773)	(284,226)	(11,395)	–	–	(3,370,449)
Debts securities issued	–	–	(10,631)	(4,986)	(23,696)	(72,731)	–	–	(112,044)
Other financial liabilities	(37,001)	(28)	(14)	(249)	(320)	(2,648)	–	–	(40,260)
Total liabilities (contractual maturity dates)	(1,803,089)	(579,232)	(459,028)	(758,845)	(746,340)	(95,153)	–	–	(4,441,687)
Cash and balances with central banks	114,319	–	–	–	–	–	–	622,744	737,063
Due from banks and other financial institutions	61,834	285,598	19,315	77,038	–	–	12	–	443,797
Non-derivative financial assets at fair value through profit or loss	–	2,069	2,960	15,448	21,533	6,749	–	–	48,759
Loans and advances to customers	–	175,321	316,715	916,947	826,242	889,360	18,843	–	3,143,428
Investment securities – loans and receivables	–	330	1,551	8,387	9,533	16,322	–	–	36,123
Investment securities – available-for-sale	–	3,022	10,861	34,608	110,749	52,006	722	1,298	213,266
Investment securities – held-to-maturity	–	7,298	13,032	127,269	310,917	185,085	–	–	643,601
Other financial assets	4,276	–	–	–	–	–	691	–	4,967
Assets held for managing liquidity risk (contractual maturity dates)	180,429	473,638	364,434	1,179,697	1,278,974	1,149,522	20,268	624,042	5,271,004

Assets available to meet all of the liabilities include cash, balances with central banks, balances in the course of collection and treasury, due from banks and other financial institutions and loans and advances to customers. In the normal course of business, a proportion of loans and advances to customers contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Group would also be able to meet unexpected cash outflows by selling investment securities, using credit commitment from other financial institutions, early termination of borrowings from other financial institutions and reserve repurchase agreement and using the mandatory reserve deposits upon the PBOC's approval.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.4 Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

(a) *Derivative settled on a net basis*

The Group's derivative financial instruments that will be settled on a net basis include:

- Foreign exchange derivative financial instruments: non-deliverable forward
- Interest rate derivative financial instruments and others: interest rate swaps, forward rate agreements, over the counter interest rate options and others

The table below analyses the Group's derivative financial instruments which will be settled on a net basis under relevant maturity groupings based on the remaining contractual period as at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Bank

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As at 31 December 2012						
Assets						
Derivative financial instruments held for trading						
— Foreign exchange contracts	11	55	77	1	—	144
— Interest rate contracts and others	63	159	637	812	170	1,841
Total	74	214	714	813	170	1,985
Liabilities						
Derivative financial instruments held for trading						
— Foreign exchange contracts	(6)	(34)	(74)	(3)	—	(117)
— Interest rate contracts and others	(85)	(305)	(1,034)	(1,149)	(213)	(2,786)
Total	(91)	(339)	(1,108)	(1,152)	(213)	(2,903)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.4 *Derivative financial instruments cash flows* *(Continued)*

(a) *Derivative settled on a net basis (Continued)*

Group and Bank

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As at 31 December 2011						
Assets						
Derivative financial instruments held for trading						
— Foreign exchange contracts	1	9	116	50	—	176
— Interest rate contracts and others	26	11	442	245	(30)	694
Total	27	20	558	295	(30)	870
Liabilities						
Derivative financial instruments held for trading						
— Foreign exchange contracts	(10)	(7)	(77)	(44)	—	(138)
— Interest rate contracts and others	(143)	(100)	(441)	(909)	(66)	(1,659)
Total	(153)	(107)	(518)	(953)	(66)	(1,797)

(b) *Derivative settled on a gross basis*

The Group's derivative financial instruments that will be settled on a gross basis include:

- Foreign exchange derivative instruments: currency forward, currency swaps, cross currency interest rate swaps

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis under relevant maturity groupings based on the remaining contractual period as at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group and bank

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As at 31 December 2012						
Derivative financial instruments held for trading						
— Foreign exchange derivative contracts						
— Outflow	(149,294)	(154,624)	(402,475)	(23,710)	(1,275)	(731,378)
— Inflow	149,308	154,536	402,175	23,715	1,269	731,003

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.4 *Derivative financial instruments cash flows (Continued)*

(b) *Derivative settled on a gross basis (Continued)*

Group and Bank

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
As at 31 December 2011						
Derivative financial instruments held for Trading						
— Foreign exchange contracts						
— Outflow	(125,975)	(88,727)	(183,955)	(12,479)	–	(411,136)
— Inflow	126,236	88,825	183,945	12,516	–	411,522

3.3.5 *Maturity analysis*

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

Group

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2012									
Assets									
Cash and balances with central banks	133,039	–	–	–	–	–	–	683,807	816,846
Due from banks and other financial institutions	54,757	250,174	76,834	135,076	4,080	30	12	–	520,963
Financial assets at fair value through profit or loss	–	1,849	4,285	17,221	21,859	6,219	–	728	52,161
Loans and advances to customers	–	207,827	327,184	951,250	651,171	718,710	23,486	–	2,879,628
Investment securities – loans and receivables	–	–	95	5,306	2,011	22,983	–	–	30,395
Investment securities – available-for-sale	–	7,034	14,800	38,366	101,883	39,963	–	2,562	204,608
Investment securities – held-to-maturity	–	7,770	11,744	60,048	342,302	176,751	–	–	598,615
Other assets	28,219	6,402	14,741	21,787	39,308	11,622	337	47,747	170,163
Total assets	216,015	481,056	449,683	1,229,054	1,162,614	976,278	23,835	734,844	5,273,379
Liabilities									
Due to banks and other financial institution	(144,871)	(166,879)	(97,077)	(144,500)	(389,446)	(216)	–	–	(942,989)
Financial liabilities at fair value through profit or loss	(2,433)	(2,138)	(2,592)	(7,676)	(7,270)	(951)	–	–	(23,060)
Due to customers	(1,721,728)	(504,583)	(406,869)	(749,675)	(345,557)	–	–	–	(3,728,412)
Other liabilities	(44,490)	(9,293)	(16,116)	(33,336)	(50,844)	(43,392)	–	–	(197,471)
Total liabilities	(1,913,522)	(682,893)	(522,654)	(935,187)	(793,117)	(44,559)	–	–	(4,891,932)
Net amount on liquidity gap	(1,697,507)	(201,837)	(72,971)	293,867	369,497	931,719	23,835	734,844	381,447

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.5 Maturity analysis *(Continued)*

Group

	On Demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2011									
Assets									
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
Total assets	191,331	472,761	336,003	1,072,547	1,013,238	851,556	9,201	664,540	4,611,177
Liabilities									
Due to banks and other financial institution	(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)
Total liabilities	(1,808,494)	(585,474)	(460,908)	(779,562)	(633,210)	(70,741)	–	–	(4,338,389)
Net amount on liquidity gap	(1,617,163)	(112,713)	(124,905)	292,985	380,028	780,815	9,201	664,540	272,788

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.6 *Off-balance sheet items*

The table below lists the off-balance sheet items of the Group and the Bank according to their remaining period to the contractual maturity date. Financial guarantees are included at notional amounts and based on the earliest contractual maturity date. The future minimum lease payments under non-cancellable operating leases where the Group and the Bank are the lessee are also included.

Group

	Less than 1 year	1–5 years	Over 5 years	Total
As at 31 December 2012				
Loan commitments and credit related commitments	259,727	86,920	89,918	436,565
Guarantees, acceptances and letters of credit	810,401	101,220	15,490	927,111
Operating lease commitments	1,907	4,718	1,435	8,060
Capital expenditure commitments	2,946	1,385	2	4,333
Total	1,074,981	194,243	106,845	1,376,069
As at 31 December 2011 (Restated)				
Loan commitments and credit related commitments	195,105	79,634	95,210	369,949
Guarantees, acceptances and letters of credit	643,043	85,183	20,484	748,710
Operating lease commitments	1,392	3,474	1,207	6,073
Capital expenditure commitments	1,831	1,632	—	3,463
Total	841,371	169,923	116,901	1,128,195

Bank

	Less than 1 year	1–5 years	Over 5 years	Total
As at 31 December 2012				
Loan commitments and credit related commitments	259,727	86,897	89,918	436,542
Guarantees, acceptances and letters of credit	809,848	101,192	15,490	926,530
Operating lease commitments	1,869	4,667	1,433	7,969
Capital expenditure commitments	2,942	1,383	2	4,327
Total	1,074,386	194,139	106,843	1,375,368
As at 31 December 2011(Restated)				
Loan commitments and credit related commitments	195,105	79,634	95,210	369,949
Guarantees, acceptances and letters of credit	643,035	85,183	20,484	748,702
Operating lease commitments	1,360	3,429	1,207	5,996
Capital expenditure commitments	1,828	1,632	—	3,460
Total	841,328	169,878	116,901	1,128,107

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities

(a) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and expected fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

Group

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair Value
Financial assets				
Due from banks and other financial institutions	520,963	520,963	443,240	443,240
Loans and advances to customers	2,879,628	2,879,865	2,505,385	2,503,953
Investment securities				
— loans and receivables	30,395	30,839	28,256	28,528
— held-to-maturity	598,615	597,109	544,761	546,348
Financial liabilities				
Due to banks and other financial institutions	(942,483)	(942,408)	(854,499)	(853,542)
Due to customers	(3,728,412)	(3,732,297)	(3,283,232)	(3,282,581)
Debt securities issued	(79,572)	(80,100)	(81,803)	(80,953)

Bank

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair Value
Financial assets				
Due from banks and other financial institutions	521,774	521,774	441,063	441,063
Loans and advances to customers	2,876,774	2,877,011	2,502,829	2,501,398
Investment securities				
— loans and receivables	30,020	30,460	28,029	28,301
— held-to-maturity	597,558	596,052	544,653	546,239
Financial liabilities				
Due to banks and other financial institutions	(890,812)	(890,737)	(820,254)	(819,297)
Due to customers	(3,726,167)	(3,730,052)	(3,282,588)	(3,281,938)
Debt securities issued	(77,572)	(78,092)	(79,803)	(79,005)

The fair value of those financial assets and liabilities such as due from/to banks and other financial institutions, loans and advances to customers and due to customer is close to the carrying amount as the interest rates of most of these assets and liabilities are instantaneously adjusted to changes in interest rates set by the PBOC and other regulatory bodies. The Group only has an insignificant amount of fixed rate due from/to banks and other financial institutions, loans and advances to customers and due to customer.

Due from banks and other financial institutions

Due from banks and other financial institutions includes inter-bank placements and balances in the course of collection. The fair values of floating rate placements and overnight deposits are their carrying amounts. The estimated fair value of fixed rate deposits, which are normally less than one year, is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturities. Thus, the fair value of due from other banks and financial institutions is close to its carrying amount.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(a) Financial instruments not measured at fair value *(Continued)*

Loans and advances to customers

Loans and advances to customers are stated net of impairment allowances. Except for a very insignificant portion, loans and advances to customers bear interest at a floating rate. Therefore, the carrying amount of loans and advances to customers is a reasonable estimate of fair value.

Investment securities

The fair value for loans and receivables and held-to-maturity investments is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

Due to banks and other financial institutions and customers

The fair value of floating rate liabilities due to other banks and other financial institutions and customers is their carrying amount. The estimated fair value of fixed rate liabilities due to banks and other financial institutions and customers without quoted market price, which are normally less than one year, is based on discounted cash flows using interest rates for new debts with similar credit risk and remaining maturities. The fair value of due to banks and other financial institutions and customers is close to its carrying amount.

Debt securities issued

The fair value of floating rate debt securities issued is approximately equal to its carrying amount. The fair value of fixed rate debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).

- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the over-the-counter derivative instruments and debt instruments traded in inter-bank market. The sources of input parameters like yield curve or counterparty credit risk are China Bond and Bloomberg.

- Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and structured financial instruments.

The Group uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(b) Fair value hierarchy *(Continued)*

For asset-backed securities and unlisted equities (private equity) held by the Group, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external valuers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Assets and liabilities measured at fair value

Group

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
— Debt securities	2,333	42,622	—	44,955
— Equity investments	728	—	—	728
— Derivatives	—	6,478	—	6,478
	3,061	49,100	—	52,161
Investment securities — available-for-sale				
— Debt securities	18,116	183,919	11	202,046
— Equity and fund investments	1,417	—	1,145	2,562
	19,533	183,919	1,156	204,608
Total Assets	22,594	233,019	1,156	256,769
Financial liabilities at fair value through profit or loss				
— Debt securities issued and others	(2,433)	(12,977)	—	(15,410)
— Derivatives	—	(7,650)	—	(7,650)
	(2,433)	(20,627)	—	(23,060)
Total Liabilities	(2,433)	(20,627)	—	(23,060)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(b) Fair value hierarchy *(Continued)*

Assets and liabilities measured at fair value (Continued)

Bank

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
— Debt securities	2,333	42,622	—	44,955
— Derivatives	—	6,478	—	6,478
	2,333	49,100	—	51,433
Investment securities — available-for-sale				
— Debt securities	17,851	182,957	11	200,819
— Equity and fund investments	522	—	731	1,253
	18,373	182,957	742	202,072
Total Assets	20,706	232,057	742	253,505
Financial liabilities at fair value through profit or loss				
— Debt securities issued and others	(2,433)	(12,977)	—	(15,410)
— Derivatives	—	(7,650)	—	(7,650)
	(2,433)	(20,627)	—	(23,060)
Total Liabilities	(2,433)	(20,627)	—	(23,060)

Group

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
— Debt securities	2,195	40,510	—	42,705
— Equity investments	132	—	—	132
— Derivatives	—	5,585	—	5,585
	2,327	46,095	—	48,422
Investment securities — available-for-sale				
— Debt securities	15,695	165,644	11	181,350
— Equity and fund investments	1,625	—	1,117	2,742
	17,320	165,644	1,128	184,092
Total Assets	19,647	211,739	1,128	232,514
Financial liabilities at fair value through profit or loss				
— Debt securities issued and others	(406)	(12,522)	—	(12,928)
— Derivatives	—	(5,993)	—	(5,993)
	(406)	(18,515)	—	(18,921)
Total Liabilities	(406)	(18,515)	—	(18,921)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(b) Fair value hierarchy *(Continued)*

Assets and liabilities measured at fair value (Continued)

Bank

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
— Debt securities	2,154	40,510	—	42,664
— Derivatives	—	5,585	—	5,585
	2,154	46,095	—	48,249
Investment securities — available-for-sale				
— Debt securities	15,468	164,820	11	180,299
— Equity and fund investments	567	—	731	1,298
	16,035	164,820	742	181,597
Total Assets	18,189	210,915	742	229,846
Financial liabilities at fair value through profit or loss				
— Debt securities issued and others	(406)	(12,522)	—	(12,928)
— Derivatives	—	(5,993)	—	(5,993)
	(406)	(18,515)	—	(18,921)
Total Liabilities	(406)	(18,515)	—	(18,921)

Reconciliation of level 3 items

Group

	Financial assets at fair value through profit or loss	Investment securities — available-for-sale	Total assets	Financial liabilities at fair value through profit or loss	Total liabilities
Balance at 1 January 2012	—	1,128	1,128	—	—
Total gains or losses					
— Gains	—	3	3	—	—
— Other comprehensive income	—	—	—	—	—
Additions	—	100	100	—	—
Disposals	—	(75)	(75)	—	—
Balance at 31 December 2012	—	1,156	1,156	—	—
Total gains or losses for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2012	—	—	—	—	—

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(b) Fair value hierarchy *(Continued)*

Reconciliation of level 3 items (Continued)

Bank

	Financial assets at fair value through profit or loss	Investment securities — available-for-sale	Tota assets	Financial liabilities at fair value through profit or loss	Total liabilities
Balance at 1January 2012	—	742	742	—	—
Total gains or losses					
— Gains	—	3	3	—	—
— Other comprehensive income	—	—	—	—	—
Additions	—	—	—	—	—
Disposals	—	(3)	(3)	—	—
Balance at 31 December 2012	—	742	742	—	—
Total gains or losses for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2012	—	—	—	—	—

Group

	Financial assets at fair value through profit or loss	Investment securities — available-for-sale	Total assets	Financial liabilities at fair value through profit or loss	Total liabilities
Balance at 1 January 2011	—	893	893	—	—
Total gains or losses					
— Losses	—	(3)	(3)	—	—
— Other comprehensive income	—	—	—	—	—
Additions	—	386	386	—	—
Disposals	—	(148)	(148)	—	—
Balance at 31 December 2011	—	1,128	1,128	—	—
Total losses for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2011	—	(3)	(3)	—	—

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair values of financial assets and liabilities *(Continued)*

(b) ***Fair value hierarchy*** *(Continued)*

Reconciliation of level 3 items (Continued)

Bank

	Financial assets at fair value through profit or loss	Investment securities — available-for-sale	Total assets	Financial liabilities at fair value through profit or loss	Total liabilities
Balance at 1January 2011	—	893	893	—	—
Total gains or losses					
— Losses	—	(3)	(3)	—	—
— Other comprehensive income	—	—	—	—	—
Additions	—	—	—	—	—
Disposals	—	(148)	(148)	—	—
Balance at 31 December 2011	—	742	742	—	—
Total losses for the year included in consolidated statement of comprehensive income for assets/liabilities held at 31 December 2011	—	(3)	(3)	—	—

3.5 Capital management

The Group's objectives in managing capital, which is a broader concept than the "equity" on the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

The CBRC requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%, and a core capital ratio of above 4%. The Group's capital as monitored by its Planning and Finance Department is divided into two tiers:

- Core capital: share capital, capital surplus, statutory reserve, statutory general reserve, discretionary reserve, retained earnings and non-controlling interests; and
- Supplementary capital: reserve of fair value changes of available-for-sale financial assets, general allowance of impaired loans, qualified portion of subordinated debts.

Goodwill, unconsolidated investments in financial associates, investments in non-financial related entities and subordinated debts issued by other banks are deducted from core and supplementary capital to arrive at the total capital.

The on-balance sheet risk-weighted assets are measured by means of a hierarchy of four risk weightings classified according to the nature of, and reflecting an estimate of, credit and other risks associated with each asset and counterparty, and taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure with adjustments made to reflect the contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach promulgated by the CBRC.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Capital management *(Continued)*

The table below summarises the composition of regulatory capital and the ratios of the Group at year end.

	As at 31 December 2012	As at 31 December 2011
Core capital:		
Share capital	74,263	61,886
Capital surplus	105,321	61,670
Statutory, discretionary and statutory general reserves	112,180	92,316
Retained earnings	73,037	46,755
Non-controlling interests	1,041	857
	365,842	263,484
Supplementary capital:		
General allowance of impaired loans	30,113	25,962
Subordinated debts	67,000	65,871
Other supplementary capital	27	3,415
Gross value of supplementary capital	97,140	95,248
Eligible value of supplementary capital	97,140	95,248
Total capital base before deductions	462,982	358,732
Deductions:		
Goodwill	(200)	(200)
Equity investments in financial institutions which are not consolidated	(1,843)	(1,218)
Equity investments in enterprises	(334)	(340)
Subordinated debts issued by other banks	(4,530)	(4,530)
	(6,907)	(6,288)
Total capital base after deductions	456,075	352,444
Risk-weighted assets:		
On-balance sheet risk-weighted assets	2,697,461	2,411,523
Off-balance sheet risk-weighted assets	449,980	383,661
Total risk-weighted assets	3,147,441	2,795,184
Market risk capital	7,605	3,034
Capital adequacy ratios	14.07%	12.44%
Core capital adequacy ratios	11.24%	9.27%

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

4 NET INTEREST INCOME

Group

	Year ended 31 December	
	2012	2011 (Restated)
Interest income		
Balances with central banks	11,294	9,336
Due from banks and other financial institutions	12,671	7,092
Loans and advances to customers	185,821	148,054
Investment in debt securities	30,810	27,282
	240,596	191,764
Interest expense		
Due to banks and other financial institutions	(44,158)	(31,449)
Due to customers	(72,731)	(54,396)
Subordinated debts and other debts issued	(3,212)	(2,257)
Certificates of deposit issued	(369)	(169)
	(120,470)	(88,271)
Net interest income	120,126	103,493

Interest income of the Group includes RMB735 million (2011: RMB844 million) of interest income accrued on investment securities at fair value through profit or loss.

Interest expense of the Group includes RMB181 million (2011: RMB162 million) of interest expense accrued on certificates of deposit issued classified as financial liabilities designated at fair value through profit or loss.

Interest income of the Group includes RMB900 million (2011: RMB766 million) of interest income accrued on impaired loans and receivables.

	Year ended 31 December	
	2012	2011
Interest income on listed investments	8,845	7,568
Interest income on unlisted investments	21,965	19,714
Subtotal	30,810	27,282

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

5 FEE AND COMMISSION INCOME

Group

	Year ended 31 December	
	2012	2011 (Restated)
Settlement service	2,368	2,053
Bank card	7,958	6,183
Investment banking	5,884	6,276
Guarantee and commitment	2,731	1,894
Management service	3,321	3,170
Agent service	1,411	1,611
Others	453	385
	24,126	21,572

	Year ended 31 December	
	2012	2011
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	438	223
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,032	750

6 FEE AND COMMISSION EXPENSE

Group

	Year ended 31 December	
	2012	2011
Settlement and agent service	245	430
Bank card	2,631	2,150
Others	368	335
	3,244	2,915

	Year ended 31 December	
	2012	2011
Fee expense, 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	74	81

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

7 DIVIDEND INCOME

Group

	Year ended 31 December	
	2012	2011
Available-for-sale equity investments — unlisted	80	71

8 NET GAINS ARISING FROM TRADING ACTIVITIES

Group

	Year ended 31 December	
	2012	2011
Foreign exchange	789	1,197
Interest rate instruments	480	204
	1,269	1,401

Net income on foreign exchange includes gains or losses from spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net income on interest rate instruments includes the gains or losses from securities held for trading, interest rate swaps, interest rate options and other interest rate derivatives.

Net gains arising from trading activities for the year ended 31 December 2012 include a loss of RMB5 million (year ended 31 December 2011: a gain of RMB9 million) in relation to fair value change of financial liabilities designated at fair value through profit or loss.

9 OTHER OPERATING INCOME

Group

	Year ended 31 December	
	2012	2011
Profit on sale of property and equipment	131	171
Revaluation of investment property	20	61
Income from sales of franchised precious metal merchandise	3,321	2,508
Other miscellaneous income	1,285	877
	4,757	3,617

Other miscellaneous income includes income arising from miscellaneous banking services provided to the Group's customers.

10 IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Group

	Year ended 31 December	
	2012	2011
Loans and advances to customers (Note 20(b))		
— Collectively assessed losses provision	10,075	13,376
— Individually assessed losses provision/(reversal)	4,462	(897)
	14,537	12,479

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

11 OTHER OPERATING EXPENSE

Group

	Year ended 31 December	
	2012	2011
Staff costs (Note 12)	20,849	18,556
General and administrative expenses	12,124	9,943
Business tax and surcharges	10,916	8,939
Depreciation of property and equipment (Note 22)	3,616	3,423
Operating lease rental expenses	2,158	1,846
Supervision fee to regulators	249	244
Amortisation of intangible assets	223	192
Impairment of finance lease receivables	312	190
Impairment of investment securities ((1), Note 21)	332	6
Professional fees	29	28
Amortisation of land use rights	129	29
(Reversal of)/provision for litigation expenses	(172)	84
Provision for/(reversal of) impairment of other receivables	9	(20)
Others	7,031	5,912
	57,805	49,372

(1) Net impairment losses on investment securities

Group

	Year ended 31 December	
	2012	2011
Loans and receivables (Note 21)	4	—
Available-for-sale (Note 21)	328	6
Total	332	6

12 STAFF COSTS

Group

	Year ended 31 December	
	2012	2011
Salaries and bonuses	14,423	13,229
Pension costs (Note 29)	2,085	1,599
Housing benefits and subsidies	442	545
Other social security and benefit costs	3,899	3,183
	20,849	18,556

13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(a) Directors', supervisors' and senior management's taxable emoluments

(In thousands of RMB)	Year ended 31 December				
	2012				2011
Name	Emoluments	Remuneration	Other benefits	Total	Total
Executive directors					
Mr. Hu, Huaibang[(1)]	–	868	213	1,081	1,815
Mr. Niu, Ximing[(1)]	–	781	213	994	1,654
Mr. Qian, Wenhui[(1)]	–	738	178	916	1,539
Mr. Wang, Bin[(1)]	–	246	57	303	1,541
Ms. Yu, Yali[(1)]	–	738	178	916	N/A
Non-executive directors					
Mr. Zhang, Jixiang[(1)]	–	694	158	852	1,440
Mr. Hu, Huating[(1)]	–	694	158	852	1,439
Mr. Peter, Wong Tung Shun	–	–	–	–	–
Mr. Lei, Jun	–	–	–	–	–
Mr. Gu Mingchao	–	–	–	–	–
Mr. Eric Li, Ka-cheung	250	–	–	250	250
Ms. Anita Fung Yuen Mei	–	–	–	–	–
Mr. Wang, Weiqiang	–	–	–	–	–
Mr. Peter Hugh Nolan	250	–	–	250	250
Mr. Chen, Zhiwu	250	–	–	250	250
Ms. Du, Yuemei[(1)]	–	694	122	816	481
Mr. Ma, Qiang	–	–	–	–	–
Mr. Choi, Yiu Kwan	250	–	–	250	83
Supervisors					
Mr. Hua, Qingshan[(1)]	–	764	213	977	1,621
Mr. Jiang, Yunbao	–	–	–	–	–
Mr. Jiang, Zuqi	–	–	–	–	–
Mr. Yang, Fajia	–	–	–	–	–
Mr. Li, Jin	–	–	–	–	–
Mr. Yan, Hong	–	–	–	–	–
Ms. Liu, Sha[(1)]	–	530	130	660	1,503
Ms. Chen, Qing[(1)]	–	562	125	687	1,363
Mr. Shuai, Shi[(1)]	–	540	125	665	1,370
Mr. Guo, Yu	–	–	–	–	–
Mr. Gu, Huizhong	–	–	–	–	–
Mr. Chu, Hongjun	–	–	–	–	–
Mr. Du, Yarong[(1)]	–	532	125	657	1,398
Total	1,000	8,381	1,995	11,376	17,997

(1) The total compensation package for these directors and supervisors for the year ended 31 December 2012 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's and the Bank's 2012 financial statements. The final compensation will be disclosed in a separate announcement when determined. The total final compensation for the year ended 31 December 2011 was disclosed in the Supplemental Announcement for the 2011 Annual Report issued on 11 May 2012.

Amounts listed above only include emoluments of the directors or supervisors during their tenure of director or supervisor. Mr. Wang Bin resigned from the position of the Executive Director of the Bank in March 2012; Meanwhile, Ms. Yu Yali was appointed as the Executive Director of the Bank in August 2012.

Mr. Niu Ximing is also the President of the Bank and his emoluments disclosed above include those for services rendered by him as the President.

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

13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Bank for the related years are as follows:

	Year ended 31 December 2012	2011
Salary	8	7
Discretionary bonuses	7	6
Employer's contribution to pension scheme and other benefits	—	—
	15	13

Emoluments of the above five highest paid individuals in the Bank are within the following bands:

	Number of employees 2012	2011
RMB1,500,000–RMB2,000,000	—	—
RMB2,000,001–RMB2,500,000	1	2
RMB2,500,001 and above	4	3
	5	5

During 2012 and 2011, no emolument was paid by the Bank to any of the directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

(c) Share-based compensation

On 18 November 2005, the Board of Directors resolved to grant certain cash settled Stock Appreciation Rights ("SARs") to several senior executives of the Bank under a long-term incentive plan. According to the resolution, the initial grant of SARs was targeted at senior executives of the Bank as at 23 June 2005. The exercise price of each SAR is HK$2.50, which was the issue price of the H share at the time of its initial public offering. The amount of the initial grant of the SARs was 7.558 million shares. The SARs was valid for a period of ten years from 23 June 2005, with a two-year vesting period.

On 3 November 2006, the Board of Directors resolved to grant certain cash settled SARs to several senior executives of the Bank under its long-term incentive plan. According to the resolution, the grant of SARs was targeted at senior executives of the Bank as at 3 November 2006. The exercise price of each SAR is HK$6.13, which was the closing price of the Group's H share on the granting date. The amount of the grant of the SARs was 2.724 million shares. The SARs was valid for a period of ten years from 3 November 2006, with a two-year vesting period.

During 2012 and 2011, no SARs were exercised. Changes in fair value of these SARs (RMB3.22 million) were recognised in other operating expense but not included in the directors' emoluments disclosed above.

13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(Continued)

(c) Share-based compensation *(Continued)*

Movements in the number of SARs outstanding are as follows:

Group and Bank

	Year ended at 31 December	
	2012 Number of shares (In millions)	2011 Number of shares (In millions)
Outstanding at the beginning of the year	11	11
Granted in the year	—	—
Outstanding at the end of the year	11	11

The fair value of SARs using the Binomial Option Pricing model as at 31 December 2012 is RMB28.15 million (31 December 2011: RMB24.93 million) and is recorded in other liabilities.

14 INCOME TAX

Group

	Year ended 31 December	
	2012	2011
Current tax		
— PRC enterprise income tax	20,520	14,717
— Hong Kong profits tax	378	297
— Overseas taxation	322	207
	21,220	15,221
Deferred income tax (Note 28)	(4,480)	(587)
	16,740	14,634

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

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

	Year ended 31 December	
	2012	2011
Profit before tax	75,216	65,451
Tax calculated at a tax rate of 25%	18,804	16,363
Effect of different tax rates in other countries (or regions)	34	(1)
Tax effect arising from income not subject to tax(1)	(2,436)	(2,185)
Tax effect of expenses not deductible for tax purposes(2)	338	457
Income tax expense	16,740	14,634

(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 expense etc, which exceed the tax deduction limits in accordance with PRC tax regulations.

15 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 during the year.

	Year ended 31 December	
	2012	2011
Net profit attributable to shareholders of the Bank	58,373	50,735
Weighted average number of ordinary shares in issue (expressed in millions)	66,011	61,886
Basic earnings per share (expressed in RMB per share)	0.88	0.82

The weighted average number of ordinary shares in issue for the year ended 31 December 2011 was adjusted by taking into consideration of stocks dividend issued during 2011.

16 CASH AND BALANCES WITH CENTRAL BANKS

Group

	As at 31 December 2012	As at 31 December 2011
Cash	18,819	16,254
Balances with central banks other than mandatory reserve deposits	114,220	97,806
Included in cash and cash equivalents (Note 38)	133,039	114,060
Mandatory reserve deposits	683,807	622,939
	816,846	736,999

Bank

	As at 31 December 2012	As at 31 December 2011
Cash	18,801	16,241
Balances with central banks other than mandatory reserve deposits	114,208	97,778
Included in cash and cash equivalents	133,009	114,019
Mandatory reserve deposits	683,336	622,744
	816,345	736,763

The Group is required to place mandatory deposits with central banks. The mandatory reserve deposits are calculated based on the eligible deposits from customers. Mandatory reserve deposits with central banks are not available for use by the Group in its day-to-day operations.

	As at 31 December 2012	As at 31 December 2011
Mandatory reserve rate for deposits denominated in RMB	20.00%	21.00%
Mandatory reserve rate for deposits denominated in foreign currencies	5.00%	5.00%

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

17 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December 2012	As at 31 December 2011
Due from banks and other financial institutions	172,322	96,605
Included in cash and cash equivalents (Note 38)	138,559	95,575
Securities purchased under reverse repurchase agreements	107,667	147,588
Loans purchased under reverse repurchase agreements	87,187	50,321
Placement with and loans to banks	84,674	104,875
Placement with and loans to other financial institutions	69,113	43,851
	520,963	443,240

Bank

	As at 31 December 2012	As at 31 December 2011
Due from banks and other financial institutions	169,873	94,548
Included in cash and cash equivalents	137,164	94,488
Securities purchased under reverse repurchase agreements	107,667	147,588
Loans purchased under reverse repurchase agreements	87,187	50,321
Placement with and loans to banks	85,934	104,755
Placement with and loans to other financial institutions	71,113	43,851
	521,774	441,063

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December 2012	As at 31 December 2011
Derivative financial instruments (Note 19)	6,478	5,585
Government bonds		
— Listed in Hong Kong	821	699
— Listed outside Hong Kong	1,449	980
— Unlisted	1,511	3,177
Other debt securities		
— Listed in Hong Kong	2,093	2,220
— Listed outside Hong Kong	2,373	3,616
— Unlisted — corporate entities	25,144	24,046
— Unlisted — public sector	862	10
— Unlisted — banking sector	10,702	7,957
Equity securities		
— Listed in Hong Kong	322	131
— Listed outside Hong Kong	406	1
	52,161	48,422

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Bank

	As at 31 December 2012	As at 31 December 2011
Derivative financial instruments (Note 19)	6,478	5,585
Government bonds		
— Listed in Hong Kong	821	699
— Listed outside Hong Kong	1,449	980
— Unlisted	1,511	3,177
Other debt securities		
— Listed in Hong Kong	2,093	2,179
— Listed outside Hong Kong	2,373	3,616
— Unlisted — corporate entities	25,144	24,046
— Unlisted — public sector	862	10
— Unlisted — banking sector	10,702	7,957
	51,433	48,249

Securities — financial assets at fair value through profit or loss are analysed by issuer as follows:

Group

	As at 31 December 2012	As at 31 December 2011
Securities — Financial assets at fair value through profit or loss		
— Central governments and central banks	3,781	4,856
— Public sector entities	2,350	1,488
— Banks and other financial institutions	13,404	11,134
— Corporate entities	26,148	25,359
	45,683	42,837

Bank

	As at 31 December 2012	As at 31 December 2011
Securities — Financial assets at fair value through profit or loss		
— Central governments and central banks	3,781	4,856
— Public sector entities	2,350	1,488
— Banks and other financial institutions	13,297	11,130
— Corporate entities	25,527	25,190
	44,955	42,664

The financial assets at fair value through profit or loss include financial assets held for trading and derivatives designated and effective as hedging instruments.

Majority of the Group's unlisted bonds are traded in China's inter-bank bond market.

As at 31 December 2012, RMB2,378 million trading securities of the Group and the Bank were pledged to third parties and stock exchanges under repurchase agreements and short-selling arrangements (31 December 2011: RMB3,714 million).

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilised by the Group for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price or to receive an interest payment based on a variable interest rate and pay a fixed interest rate or vice versa. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

Group and Bank

	Contractual/ notional amount	Fair values Assets	Liabilities
As at 31 December 2012			
Foreign exchange contracts	904,853	4,782	(5,090)
Interest rate contracts and others	490,258	1,696	(2,560)
Total amount of derivative instruments recognised	1,395,111	6,478	(7,650)

Group and Bank

	Contractual/ notional amount	Fair values Assets	Liabilities
As at 31 December 2011			
Foreign exchange contracts	571,381	3,785	(3,392)
Interest rate contracts and others	326,370	1,800	(2,601)
Total amount of derivative instruments recognised	897,751	5,585	(5,993)

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 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 rates 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.

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

19 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notional amounts of derivative financial instruments by original currency

Group and Bank

	As at 31 December 2012	As at 31 December 2011
RMB	761,104	474,914
US dollar	522,860	339,866
HK dollar	63,733	54,499
Others	47,414	28,472
Total	1,395,111	897,751

Hedge accounting

Included in the derivative financial instruments above are those designated as hedging instruments by the Group and Bank as follows:

Group and Bank

	Contractual/ notional amount	Fair values Assets	Liabilities
As at 31 December 2012			
Derivative financial instruments designated as hedging instruments in fair value hedges			
— Interest rate swaps	6,845	—	(501)
Total	6,845	—	(501)

Group and Bank

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

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 consider that the interest rate swaps are highly effective hedging instruments.

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

19 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Hedge accounting *(Continued)*

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

Group and Bank

	Year ended 31 December	
	2012	2011
Losses on hedging instruments	(36)	(465)
Gains on hedged items attributable to the hedge risk	33	463
Net losses from fair value hedges	(3)	(2)

20 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

Group

	As at 31 December 2012	As at 31 December 2011
Loans and advances to customers	2,947,299	2,561,750
Less: allowance for collectively assessed impairment losses	(55,187)	(45,115)
Less: allowance for individually assessed impairment losses	(12,484)	(11,250)
	2,879,628	2,505,385

Bank

	As at 31 December 2012	As at 31 December 2011
Loans and advances to customers	2,944,349	2,559,171
Less: allowance for collectively assessed impairment losses	(55,141)	(45,092)
Less: allowance for individually assessed impairment losses	(12,434)	(11,250)
	2,876,774	2,502,829

(b) Movements in allowance for losses on loans and advances

Group

	As at 31 December 2012		As at 31 December 2011	
	Collectively assessed	Individually assessed	Collectively assessed	Individually assessed
Balance at the beginning of the year	45,115	11,250	31,833	14,604
Net impairment allowances for loans charged to profit or loss (Note 10)	10,075	4,462	13,376	(897)
Impairment allowances for loans	10,075	8,353	13,376	2,753
Reversal of impairment allowances for loans	—	(3,891)	—	(3,650)
Recoveries of loans written-off in previous years	—	323	—	295
Unwind of discount on allowances during the year	—	(900)	—	(766)
Loans written off during the year as uncollectible	—	(2,650)	—	(1,956)
Exchange difference	(3)	(1)	(94)	(30)
Balance at the end of the year	55,187	12,484	45,115	11,250

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

20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(b) Movements in allowance for losses on loans and advances *(Continued)*

Bank

	As at 31 December 2012		As at 31 December 2011	
	Collectively assessed	Individually impaired	Collectively assessed	Individually impaired
Balance at the beginning of the year	45,092	11,250	31,826	14,604
Net impairment allowances for loans charged to profit or loss	10,052	4,412	13,360	(897)
Impairment allowances for loans	10,052	8,303	13,360	2,753
Reversal of impairment allowances for loans	—	(3,891)	—	(3,650)
Recoveries of loans written-off in previous years	—	323	—	295
Unwind of discount on allowances during the year	—	(900)	—	(766)
Loans written off during the year as uncollectible	—	(2,650)	—	(1,956)
Exchange difference	(3)	(1)	(94)	(30)
Balance at the end of the year	55,141	12,434	45,092	11,250

Group

	As at 31 December 2012		As at 31 December 2011	
	Corporate	Individual	Corporate	Individual
Balance at the beginning of the year	49,740	6,625	40,831	5,606
Net impairment allowances for loans charged to profit or loss	11,683	2,854	11,048	1,431
Impairment allowances for loans	14,839	3,589	14,234	1,895
Reversal of impairment allowances for loans	(3,156)	(735)	(3,186)	(464)
Recoveries of loans written-off in previous years	188	135	190	105
Unwind of discount on allowances during the year	(782)	(118)	(685)	(81)
Loans written off during the year as uncollectible	(1,956)	(694)	(1,526)	(430)
Exchange difference	(5)	1	(118)	(6)
Balance at the end of the year	58,868	8,803	49,740	6,625

Bank

	As at 31 December 2012		As at 31 December 2011	
	Corporate	Individual	Corporate	Individual
Balance at the beginning of the year	49,727	6,615	40,824	5,606
Net impairment allowances for loans charged to profit or loss	11,666	2,798	11,042	1,421
Impairment allowances for loans	14,822	3,533	14,228	1,885
Reversal of impairment allowances for loans	(3,156)	(735)	(3,186)	(464)
Recoveries of loans written-off in previous years	188	135	190	105
Unwind of discount on allowances during the year	(782)	(118)	(685)	(81)
Loans written off during the year as uncollectible	(1,956)	(694)	(1,526)	(430)
Exchange difference	(5)	1	(118)	(6)
Balance at the end of the year	58,838	8,737	49,727	6,615

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

20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(c) Individually assessed loans with impairment

Group

	As at 31 December 2012		As at 31 December 2011	
	Gross amount of impaired loans before allowance for impairment	Allowance for individually assessed impaired loans	Gross amount of impaired loans before allowance for impairment	Allowance for individually assessed impaired loans
Corporate	21,896	(9,672)	19,194	(9,610)
Individuals	5,099	(2,812)	2,792	(1,640)
	26,995	(12,484)	21,986	(11,250)

Group

	As at 31 December 2012	As at 31 December 2011
Individually assessed impaired loans to loans and advances to customers	0.92%	0.86%

Bank

	As at 31 December 2012		As at 31 December 2011	
	Gross amount of impaired loans before allowance for impairment	Allowance for individually assessed impaired loans	Gross amount of impaired loans before allowance for impairment	Allowance for individually assessed impaired loans
Corporate	21,896	(9,672)	19,194	(9,610)
Individuals	4,897	(2,762)	2,792	(1,640)
	26,793	(12,434)	21,986	(11,250)

Bank

	As at 31 December 2012	As at 31 December 2011
Individually assessed impaired loans to loans and advances to customers	0.91%	0.86%

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

21 INVESTMENT SECURITIES

Group

	As at 31 December 2012	As at 31 December 2011
Securities — loans and receivables		
Debt securities — at amortised cost		
— Unlisted	30,399	28,256
Impairment allowance	(4)	—
Loans and receivables securities	30,395	28,256
Securities — available-for-sale		
Debt securities — at fair value		
— Listed in Hong Kong	2,422	1,160
— Listed outside Hong Kong	46,845	38,258
— Unlisted	152,779	141,932
Debt securities (net)	202,046	181,350
Equity securities and fund investments — at fair value		
— Listed in Hong Kong	181	429
— Listed outside Hong Kong	512	1,044
— Unlisted	1,869	1,269
Equity securities and fund investments (net)	2,562	2,742
Securities — available-for-sale total (net)	204,608	184,092
Include: Fair value of listed securities — available-for-sale	49,960	40,891
Securities — held-to-maturity		
Debt securities — at amortised cost		
— Listed outside Hong Kong	239,470	205,022
— Unlisted	359,145	339,739
Held-to-maturity investments	598,615	544,761
Include: Fair value of listed held-to-maturity investments	243,687	209,775

As at 31 December 2012, listed investment securities of the Group at fair value of RMB30,625 million (31 December 2011: RMB26,801 million) were pledged to third parties under repurchase agreements.

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

21 INVESTMENT SECURITIES *(Continued)*

Bank

	As at 31 December 2012	As at 31 December 2011
Securities — loans and receivables		
Debt securities — at amortised cost		
— Unlisted	30,020	28,029
Loans and receivables securities	30,020	28,029
Securities — available-for-sale		
Debt securities — at fair value		
— Listed in Hong Kong	2,096	961
— Listed outside Hong Kong	46,819	38,230
— Unlisted	151,904	141,108
Debt securities (net)	200,819	180,299
Equity securities and fund investments — at fair value		
— Listed in Hong Kong	10	9
— Listed outside Hong Kong	512	558
— Unlisted	731	731
Equity securities and fund investments (net)	1,253	1,298
Securities — available-for-sale total (net)	202,072	181,597
Include: Fair value of listed securities — available-for-sale	49,437	39,758
Securities — held-to-maturity		
Debt securities — at amortised cost		
— Listed outside Hong Kong	239,267	204,932
— Unlisted	358,291	339,721
Held-to-maturity investments	597,558	544,653
Include: Fair value of listed held-to-maturity investments	243,484	209,635

As at 31 December 2012, listed investment securities of the Bank at fair value of RMB30,536 million (31 December 2011: RMB26,629 million) were pledged to third parties under repurchase agreements.

As at 31 December 2012, the Group holds bonds issued by the PBOC amounting to RMB6,522 million (31 December 2011: RMB9,328 million). The related interest rates on such bonds as at 31 December 2012 ranged between 2.65%–2.70% (31 December 2011: 2.65%–3.49%)

Net gains arising from de-recognition of investment securities comprise of:

Group and Bank

	Year ended 31 December 2012	Year ended 31 December 2011
Net gains arising from de-recognition of investment securities — available-for-sale	329	123

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

21 INVESTMENT SECURITIES *(Continued)*

The movements in allowance for impairment losses of investment securities are summarised as follows:

Group

	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses				
As at 1 January 2012	—	(1,296)	—	(1,296)
Provision for impairment	(4)	(328)	—	(332)
Transfer out	—	174	—	174
Amounts written off during the year as uncollectible	—	4	—	4
Exchange differences	—	3	—	3
As at 31 December 2012	(4)	(1,443)	—	(1,447)

Bank

	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses				
As at 1 January 2012	—	(1,256)	—	(1,256)
Provision for impairment	—	—	—	—
Transfer out	—	3	—	3
Amounts written off during the year as uncollectible	—	4	—	4
Exchange differences	—	3	—	3
As at 31 December 2012	—	(1,246)	—	(1,246)

Group

	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses				
As at 1 January 2011	—	(1,480)	—	(1,480)
Provision for impairment	—	(6)	—	(6)
Amounts written off during the year as uncollectible	—	106	—	106
Exchange differences	—	84	—	84
As at 31 December 2011	—	(1,296)	—	(1,296)

Bank

	Loans and receivables	Available-for-sale	Held-to-maturity	Total
Allowance for impairment losses				
As at 1 January 2011	—	(1,438)	—	(1,438)
Provision for impairment	—	(6)	—	(6)
Amounts written off during the year as uncollectible	—	106	—	106
Exchange differences	—	82	—	82
As at 31 December 2011	—	(1,256)	—	(1,256)

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

21 INVESTMENT SECURITIES *(Continued)*

Investment securities are analysed by issuer as follows:

Group

	As at 31 December 2012	As at 31 December 2011
Securities — loans and receivables		
— Central governments and central banks	1,159	2,671
— Banks and other financial institutions	23,361	13,496
— Corporate entities	5,875	12,089
	30,395	28,256
Securities — available-for-sale		
— Central governments and central banks	43,718	39,829
— Public sector entities	1,362	3,004
— Banks and other financial institutions	114,746	92,544
— Corporate entities	44,782	48,715
	204,608	184,092
Securities — held-to-maturity		
— Central governments and central banks	254,814	241,336
— Public sector entities	12,822	10,012
— Banks and other financial institutions	210,712	173,409
— Corporate entities	120,267	120,004
	598,615	544,761

Bank

	As at 31 December 2012	As at 31 December 2011
Securities — loans and receivables		
— Central governments and central banks	1,159	2,671
— Banks and other financial institutions	23,361	13,496
— Corporate entities	5,500	11,862
	30,020	28,029
Securities — available-for-sale		
— Central governments and central banks	43,452	39,613
— Public sector entities	1,362	3,002
— Banks and other financial institutions	113,351	91,245
— Corporate entities	43,907	47,737
	202,072	181,597
Securities — held-to-maturity		
— Central governments and central banks	254,814	241,336
— Public sector entities	12,822	10,012
— Banks and other financial institutions	210,171	173,319
— Corporate entities	119,751	119,986
	597,558	544,653

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

21 INVESTMENT SECURITIES *(Continued)*

The certificates of deposit held and included in investment securities are analysed as follows:

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Available-for-sale, at fair value		
— Unlisted	11,620	906

The maturity profile of certificates of deposit held by the remaining period as at year end to the contractual maturity dates are summarised as follows:

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Within 3 months	2,372	237
3 months to 12 months	584	345
1 year to 5 years	8,664	324
	11,620	906

22 PROPERTY AND EQUIPMENT

Group

	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property hImprovement	Total
Cost						
As at 1 January 2012	28,997	6,861	15,701	972	3,544	56,075
Additions	2,734	3,235	3,281	3,339	392	12,981
Disposals	(266)	—	(1,645)	(41)	(45)	(1,997)
Transfers in/(out)	2,051	(2,382)	—	—	331	—
Investment property transfers in	34	—	—	—	—	34
As at 31 December 2012	33,550	7,714	17,337	4,270	4,222	67,093
Accumulated depreciation						
As at 1 January 2012	(6,862)	—	(10,898)	(402)	(896)	(19,058)
Charge for the year	(1,265)	—	(1,774)	(117)	(460)	(3,616)
Disposals	201	—	839	34	43	1,117
As at 31 December 2012	(7,926)	—	(11,833)	(485)	(1,313)	(21,557)
Net book value						
As at 31 December 2012	25,624	7,714	5,504	3,785	2,909	45,536

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

22 PROPERTY AND EQUIPMENT *(Continued)*

Group

	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property Improvementt	Total
Cost						
As at 1 January 2011	25,189	8,076	14,455	586	2,468	50,774
Additions	785	2,841	2,390	450	489	6,955
Disposals	(405)	(17)	(1,144)	(64)	(24)	(1,654)
Transfers in/(out)	3,428	(4,039)	–	–	611	–
As at 31 December 2011	28,997	6,861	15,701	972	3,544	56,075
Accumulated depreciation						
As at 1 January 2011	(6,032)	–	(9,936)	(395)	(500)	(16,863)
Charge for the year	(969)	–	(1,990)	(68)	(396)	(3,423)
Disposals	139	–	1,028	61	–	1,228
As at 31 December 2011	(6,862)	–	(10,898)	(402)	(896)	(19,058)
Net book value						
As at 31 December 2011	22,135	6,861	4,803	570	2,648	37,017

Bank

	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property Improvement	Total
Cost						
As at 1 January 2012	28,382	6,861	15,556	623	3,534	54,956
Additions	2,549	3,233	3,246	114	390	9,532
Disposals	(266)	–	(1,638)	(41)	(45)	(1,990)
Transfers in/(out)	2,051	(2,382)	–	–	331	–
Investment property transfers in	34	–	–	–	–	34
As at 31 December 2012	32,750	7,712	17,164	696	4,210	62,532
Accumulated depreciation						
As at 1 January 2012	(6,740)	–	(10,803)	(388)	(896)	(18,827)
Charge for the year	(1,242)	–	(1,749)	(67)	(457)	(3,515)
Disposals	201	–	835	34	43	1,113
As at 31 December 2012	(7,781)	–	(11,717)	(421)	(1,310)	(21,229)
Net book value						
As at 31 December 2012	24,969	7,712	5,447	275	2,900	41,303

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

22 PROPERTY AND EQUIPMENT *(Continued)*

Bank

	Land and Buildings	Construction in Progress	Equipment	Transportation Equipment	Property Improvement	Total
Cost						
As at 1 January 2011	24,574	8,076	14,341	572	2,468	50,031
Additions	757	2,841	2,356	115	479	6,548
Disposals	(377)	(17)	(1,141)	(64)	(24)	(1,623)
Transfers in/(out)	3,428	(4,039)	–	–	611	–
As at 31 December 2011	28,382	6,861	15,556	623	3,534	54,956
Accumulated depreciation						
As at 1 January 2011	(5,920)	–	(9,862)	(389)	(500)	(16,671)
Charge for the year	(953)	–	(1,967)	(60)	(396)	(3,376)
Disposals	133	–	1,026	61	–	1,220
As at 31 December 2011	(6,740)	–	(10,803)	(388)	(896)	(18,827)
Net book value						
As at 31 December 2011	21,642	6,861	4,753	235	2,638	36,129

With exception to the Hong Kong branch and subsidiaries, all other land and buildings are located outside Hong Kong.

	As at 31 December 2012	As at 31 December 2011
Net book value of land and buildings of Hong Kong branch and subsidiaries	223	202

The Group recognised the leasehold land in Hong Kong branch and subsidiaries as finance lease and accounted for it as "land and buildings" and is depreciated over the shorter of the useful life of the buildings and the land's lease term.

As at 31 December 2012, property and equipment for which registration was not completed amounted to RMB925 million (2011: RMB853 million). However, this registration process does not affect the rights of the Bank to these assets.

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

22 PROPERTY AND EQUIPMENT *(Continued)*

The net book value of land and buildings is analysed based on the remaining lease terms as follows:

Group

	As at 31 December 2012	As at 31 December 2011
Held in Hong Kong		
on long-term lease (over 50 years)	187	168
on medium-term lease (10–50 years)	36	34
on short-term lease (less than 10 years)	—	—
	223	202
Held outside Hong Kong		
on long-term lease (over 50 years)	20	22
on medium-term lease (10–50 years)	24,134	20,637
on short-term lease (less than 10 years)	1,247	1,274
	25,401	21,933
	25,624	22,135

Bank

	As at 31 December 2012	As at 31 December 2011
Held in Hong Kong		
on long-term lease (over 50 years)	187	168
on medium-term lease (10–50 years)	13	11
on short-term lease (less than 10 years)	—	—
	200	179
Held outside Hong Kong		
on long-term lease (over 50 years)	20	22
on medium-term lease (10–50 years)	23,502	20,167
on short-term lease (less than 10 years)	1,247	1,274
	24,769	21,463
	24,969	21,642

As at 31 December 2012, the net book value of aircraft and vessel leased out by the Group under operating lease arrangements was RMB3,497 million (31 December 2011:RMB324 million).

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

23 OTHER ASSETS

Group

	As at 31 December 2012	As at 31 December 2011
Interest receivable	24,225	19,773
Settlement accounts	11,426	4,393
Other receivables	3,159	2,004
Less: impairment allowance[e]	(539)	(574)
Land use rights[a]	589	556
Foreclosed assets	426	230
Leasehold improvement	676	658
Intangible assets[b]	774	609
Rental deposits	228	242
Goodwill[f]	322	322
Investment properties[c]	182	196
Finance lease receivables[d]	68,999	45,743
Less: impairment allowance[e]	(829)	(517)
Others	2,186	1,146
	111,824	74,781

Bank

	As at 31 December 2012	As at 31 December 2011
Interest receivable	24,205	19,723
Settlement accounts	9,878	3,006
Other receivables	3,121	1,961
Less: impairment allowance[e]	(539)	(574)
Land use rights[a]	589	556
Leasehold improvement	672	653
Intangible assets[b]	749	582
Foreclosed assets	426	230
Rental deposits	225	240
Investment properties[c]	182	196
Others	2,182	1,084
	41,690	27,657

(a) The net book value of land use rights is analysed based on the remaining terms of the leases as follows:

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Held outside Hong Kong		
on medium-term lease (10-50 years)	564	542
on short-term lease (less than 10 years)	25	14
	589	556

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

23 OTHER ASSETS *(Continued)*

(b) Intangible assets

Group

	Software
Cost	
As at 1 January 2012	1,482
Additions	394
Disposals	(9)
As at 31 December 2012	1,867
Accumulated amortisation	
As at 1 January 2012	(873)
Amortisation expense	(223)
Disposals	3
As at 31 December 2012	(1,093)
Carrying amounts	774

Group

	Software
Cost	
As at 1 January 2011	1,219
Additions	277
Disposals	(14)
As at 31 December 2011	1,482
Accumulated amortisation	
As at 1 January 2011	(691)
Amortisation expense	(192)
Disposals	10
As at 31 December 2011	(873)
Carrying amounts	609

Bank

	Software
Cost	
As at 1 January 2012	1,434
Additions	387
Disposals	(9)
As at 31 December 2012	1,812
Accumulated amortisation	
As at 1 January 2012	(852)
Amortisation expense	(214)
Disposals	3
As at 31 December 2012	(1,063)
Carrying amounts	749

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

23 OTHER ASSETS *(Continued)*

(b) Intangible assets *(Continued)*

Bank

	Software
Cost	
As at 1 January 2011	1,188
Additions	260
Disposals	(14)
As at 31 December 2011	1,434
Accumulated amortisation	
As at 1 January 2011	(678)
Amortisation expense	(184)
Disposals	10
As at 31 December 2011	(852)
Carrying amounts	582

(c) Investment properties

Group and Bank

	Year ended 31 December	
	2012	2011
Balance at the beginning of the year	196	141
Transfer to owner-occupied property	(34)	—
Gains on property revaluation	20	61
Effect of foreign currency exchange difference	—	(6)
Balance at the end of the year	182	196

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties from the real estate market.

Investment properties are held by Hong Kong Branch. The valuation of these investment properties as at 31 December 2012 were performed by Vigers Appraisal and Consulting Limited based on open market price.

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

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Held in Hong Kong		
on long-term lease (over 50 years)	49	72
on medium-term lease (10–50 years)	133	124
	182	196

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

23 OTHER ASSETS *(Continued)*

(d) Finance lease receivables

Group

	As at 31 December 2012	As at 31 December 2011
Minimum finance lease receivables		
Within 1 year (inclusive)	21,801	13,731
1 year to 5 years (inclusive)	45,674	28,635
Over 5 years	12,478	11,834
	79,953	54,200
Gross investment in finance leases	79,953	54,200
Unearned finance income	(10,954)	(8,457)
Net investment in finance leases	68,999	45,743
The net investment in finance leases is analysed as follows:		
Within 1 year (inclusive)	18,643	11,774
1 year to 5 years (inclusive)	38,875	23,740
Over 5 years	11,481	10,229
	68,999	45,743
The allowance for uncollectible finance lease receivable	(829)	(517)
Net finance lease receivables	68,170	45,226

(e) Impairment allowance

Group

	As at 1 January 2012	Amounts accrued	Amounts reversed	Write-off	As at 31 December 2012
Other receivables	(574)	(9)	—	44	(539)
Finance lease receivables	(517)	(312)	—	—	(829)
Total	(1,091)	(321)	—	44	(1,368)

Bank

	As at 1 January 2012	Amounts accrued	Amounts reversed	Write-off	As at 31 December 2012
Other receivables	(574)	(9)	—	44	(539)
Total	(574)	(9)	—	44	(539)

Group

	As at 1 January 2011	Amounts accrued	Amounts reversed	Write-off	As at 31 December 2011
Other receivables	(743)	—	20	149	(574)
Finance lease receivables	(327)	(190)	—	—	(517)
Total	(1,070)	(190)	20	149	(1,091)

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

23 OTHER ASSETS *(Continued)*

(e) Impairment allowance *(Continued)*

Bank

	As at 1 January 2011	Amounts accrued	Amounts reversed	Write-off	As at 31 December 2011
Other receivables	(743)	—	20	149	(574)
Total	(743)	—	20	149	(574)

(f) Goodwill

Group

	As at 1 January 2012	Addition during the year	Decrease during the year	As at 31 December 2012	Impairment allowance
Bank of Communications International Trust Co., LTD.	200	—	—	200	—
BoComm Life Insurance Company Limited	122	—	—	122	—
Total	322	—	—	322	—

At the end of the year, the Group performed impairment tests on goodwill based on financial forecasts approved by management of the subsidiaries and the share prices of those listed financial institutions in similar types.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and thus, no impairment loss is recognised.

24 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Group

	As at 31 December 2012	As at 31 December 2011
Loans from PBOC	150	—
Deposits from other banks	263,905	275,446
Deposits from other financial institutions	445,177	387,261
Loans from banks and other financial institutions	204,197	164,178
Securities sold under repurchase agreements	29,560	27,614
	942,989	854,499

Bank

	As at 31 December 2012	As at 31 December 2011
Deposits from other banks	262,432	275,503
Deposits from other financial institutions	449,323	389,878
Loans from banks and other financial institutions	150,088	127,418
Securities sold under repurchase agreements	29,475	27,455
	891,318	820,254

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

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Derivative financial instruments (Note 19)	7,650	5,993
Short position of securities held for trading	2,433	406
Certificates of deposit issued	12,977	12,522
	23,060	18,921

All the financial liabilities at fair value through profit or loss are held for trading except for certificates of deposit issued which are designated as at fair value through profit or loss.

Financial liabilities designated as at fair value through profit or loss

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Difference between carrying amount and maturity amount		
Fair value	12,977	12,522
Amount payable at maturity	12,900	12,506
	77	16

For current and prior year, there were no significant changes in the fair value of the Group's and the Bank's financial liabilities designated as at fair value through profit or loss that were attributable to the changes in credit risk.

26 DUE TO CUSTOMERS

Group

	As at 31 December 2012	As at 31 December 2011 (Restated)
Corporate demand deposits	1,254,248	1,184,123
Corporate time deposits	1,269,520	1,064,194
Individual demand deposits	444,369	422,487
Individual time deposits	755,294	608,118
Other deposits	4,981	4,310
	3,728,412	3,283,232
Including:		
Pledged deposits held as collateral	399,290	305,658

Bank

	As at 31 December 2012	As at 31 December 2011 (Restated)
Corporate demand deposits	1,253,956	1,184,102
Corporate time deposits	1,268,985	1,064,358
Individual demand deposits	444,168	422,272
Individual time deposits	754,084	607,546
Other deposits	4,974	4,310
	3,726,167	3,282,588
Including:		
Pledged deposits held as collateral	398,866	305,510

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

27 OTHER LIABILITIES

Group

	As at 31 December 2012	As at 31 December 2011
Interest payable	50,757	39,053
Settlement accounts	27,004	31,209
Staff compensation payable	6,899	6,920
Business and other tax payable	3,603	3,119
Insurance contracts reserve	1,853	1,594
Deposits received for finance leases	4,948	2,284
Provision for outstanding litigation[a]	389	561
Provision for unsettled obligation[a]	92	149
Dividends payable	64	64
Others	15,160	10,713
	110,769	95,666

Bank

	As at 31 December 2012	As at 31 December 2011
Interest payable	50,338	38,749
Settlement accounts	26,674	31,020
Staff compensation payable	6,550	6,648
Business and other tax payable	3,517	3,099
Provision for outstanding litigation[a]	389	561
Provision for unsettled obligation[a]	92	149
Dividends payable	64	64
Others	12,243	8,402
	99,867	88,692

(a) The movements in the provision for outstanding litigation and unsettled obligation

Group and Bank

	As at 31 December 2011	Amounts accrued during the year	Amounts reversed during the year	Amounts paid during the year	As at 31 December 2012
Provision for outstanding litigation	561	81	(253)	—	389
Provision for unsettled obligation	149	—	(49)	(8)	92
Total	710	81	(302)	(8)	481

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

28 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences using an effective tax rate of 25% for the year ended 31 December 2012 (for the year ended 31 December 2011: 25%) for transactions in PRC. Deferred income taxes are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2011: 16.5%) for transactions in Hong Kong.

The movements in the deferred income tax account are as follows:

Group

	Year ended 31 December	
	2012	2011
Balance at the beginning of the year	7,905	7,275
Credit to profit or loss	4,480	587
Available-for-sale financial assets — fair value remeasurement	111	43
Balance at the end of the year	12,496	7,905

Bank

	Year ended 31 December	
	2012	2011
Balance at the beginning of the year	7,825	7,359
Credit to profit or loss	4,407	563
Available-for-sale financial assets — fair value remeasurement	202	(97)
Balance at the end of the year	12,434	7,825

Deferred income tax assets and liabilities are attributable to the following items:

Group

	As at 31 December 2012	As at 31 December 2011
Deferred income tax liabilities		
Change in fair value of available-for-sale financial assets	(33)	(10)
Other temporary differences	(103)	(2,552)
	(136)	(2,562)
Deferred income tax assets		
Impairment allowances for loans	9,353	7,492
Impairment allowances for investments	345	318
Impairment allowances for other assets	245	319
Unpaid salaries and bonuses	1,216	1,249
Retirement supplementary pension payable	156	143
Outstanding litigation and unsettled obligation	121	178
Change in fair value of available-for-sale financial assets	373	247
Other temporary differences	823	521
	12,632	10,467
Net deferred income tax assets	12,496	7,905

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

28 DEFERRED INCOME TAX *(Continued)*

Bank

	As at 31 December 2012	As at 31 December 2011
Deferred income tax liabilities		
Change in fair value of available-for-sale financial assets	(17)	(2)
Other temporary differences	(98)	(2,552)
	(115)	(2,554)
Deferred income tax assets		
Impairment allowances for loans	9,311	7,474
Impairment allowances for investments	315	318
Impairment allowances for other assets	296	370
Unpaid salaries and bonuses	1,162	1,195
Retirement supplementary pension payable	156	143
Outstanding litigation and unsettled obligation	121	178
Change in fair value of available-for-sale financial assets	388	179
Other temporary differences	800	522
	12,549	10,379
Net deferred income tax assets	12,434	7,825

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities:

Group

	As at 31 December 2012	As at 31 December 2011
Deferred income tax assets	12,501	7,926
Deferred income tax liabilities	(5)	(21)

Bank

	As at 31 December 2012	As at 31 December 2011
Deferred income tax assets	12,434	7,846
Deferred income tax liabilities	—	(21)

The deferred tax credit to profit or loss comprises the following temporary differences:

Group

	Year ended 31 December	
	2012	2011
Impairment allowances for loans:		
Additional impairment allowances for loans	2,296	2,159
Prior year written-off amounts which are approved to be deductible in current year	(435)	(883)
Sub-total	1,861	1,276
Impairment allowances for investments	27	(41)
Impairment allowances for other assets	(62)	(67)
Outstanding litigation and unsettled obligation	(57)	19
Unpaid salaries and bonuses	(33)	148
Retirement supplementary pension payable	13	(5)
Other temporary differences	2,731	(743)
	4,480	587

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

29 RETIREMENT BENEFIT OBLIGATIONS

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China under which it is required to make monthly contributions to these plans at rates ranging from 10% to 27% of the employees' basic salary for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

The Group pays supplementary retirement benefits to employees in Mainland China, who retired before 31 December 2008. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the end of reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are recognised in profit or loss. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2009 can voluntarily participate in an Annuity Plan. The Bank contributes to the Annuity Plan based on certain percentage of the employees' gross salary and recognised in comprehensive income as incurred.

Retirement benefit obligations of the Group in locations other than Mainland China, which are immaterial to the Group, are made in accordance with the relevant local policies and regulations.

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2012	2011
Expenses incurred for retirement benefit plans	1,532	1,233
Expenses incurred for supplementary retirement benefits	99	19
Expenses incurred for corporate Annuity Plan	454	347
Total	2,085	1,599

	As at 31 December 2012	As at 31 December 2011
Statement of financial position obligations for		
— Pension benefits	623	570

	Year ended 31 December	
	2012	2011
Statement of comprehensive income charge for		
— Pension benefits	99	19

The amounts recognised in the statement of financial position are determined as follows:

	As at 31 December 2012	As at 31 December 2011
Present value of unfunded obligations	623	570
Unrecognised actuarial gains	—	—
Unrecognised past service cost	—	—
Liability in the statement of financial position as at year end	623	570

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

29 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Movements in the unfunded obligations over the year are as follows:

	Year ended 31 December 2012	2011
Present value of unfunded obligations at the beginning of the year	570	593
Retirement benefits paid during the year	(46)	(42)
Interest cost	22	24
Net actuarial losses/(gains) recognised during the year	77	(5)
Present value of unfunded obligations at the end of the year	623	570

The amounts recognised in profit or loss are as follows:

	Year ended 31 December 2012	2011
Interest cost	22	24
Net actuarial losses/(gains) recognised during the year	77	(5)
Total (included in staff costs)	99	19

The principle actuarial assumptions used are as follows:

	As at 31 December 2012	As at 31 December 2011
Discount rate	4.11%	3.97%
Inflation rate	4.00%	4.00%

Assumptions regarding future mortality rate are set based on published statistics by China Insurance Regulatory Commission.

The following table lists an average life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	As at 31 December 2012	As at 31 December 2011
Male	22.20	22.20
Female	29.52	29.52

30 DEBT SECURITIES ISSUED

Group

	As at 31 December 2012	As at 31 December 2011
Subordinated debts and other debts issued(1)	70,000	78,000
Certificates of deposit issued(2)	9,572	3,803
	79,572	81,803

Bank

	As at 31 December 2012	As at 31 December 2011
Subordinated debts and other debts issued(1)	68,000	76,000
Certificates of deposit issued(2)	9,572	3,803
	77,572	79,803

During the years ended 31 December 2012 and 2011, the Group did not default on principal, interest or redemption amounts with respect to its debt securities issued.

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

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Details of the Group's and the Bank's subordinated debts and other debts issued

Group

	As at 31 December 2012	As at 31 December 2011
Fixed rate subordinated debt — 2022[(a)]	16,000	16,000
Fixed rate subordinated debt — 2017[(a)]	—	9,000
Fixed rate debt — 2013[(b)]	2,000	2,000
Fixed rate subordinated debt — 2019[(c)]	11,500	11,500
Fixed rate subordinated debt — 2024[(c)]	13,500	13,500
Fixed rate subordinated debt — 2026[(d)]	26,000	26,000
Fixed rate debt — 2014[(e)]	700	—
Fixed rate debt — 2015[(e)]	300	—
	70,000	78,000

Bank

	As at 31 December 2012	As at 31 December 2011
Fixed rate subordinated debt — 2022[(a)]	16,000	16,000
Fixed rate subordinated debt — 2017[(a)]	—	9,000
Fixed rate subordinated debt — 2019[(c)]	11,500	11,500
Fixed rate subordinated debt — 2024[(c)]	13,500	13,500
Fixed rate subordinated debt — 2026[(d)]	26,000	26,000
Fixed rate debt — 2014[(e)]	700	—
Fixed rate debt — 2015[(e)]	300	—
	68,000	76,000

(a) The Group issued subordinated debts amounting to RMB25 billion on 6 March 2007 in China's inter-bank bond market:

The first type of the subordinated debts, which was in the principal amount of RMB16 billion with a maturity of 15 years, has a fixed coupon rate of 4.13% for the first ten years, payable annually. The Group has an option to redeem these debts at face value on 8 March 2017. If the Group does not exercise this option, these debts will bear interest at a fixed rate of the original coupon rate plus 3% for the remaining five years.

The second type of the subordinated debts, which was in the principal amount of RMB9 billion with a maturity of 10 years, has a fixed coupon rate of 3.73% for the first five years, payable annually. The Group has an option to redeem these debts at face value on 8 March 2012. If the Group does not exercise this option, these debts will bear interest at a fixed rate of the original coupon rate plus 3% for the remaining five years. On 8 March 2012, the Group exercised the redemption option and redeemed the principal amount of RMB9 billion of this type of subordinated debts.

(b) On 27 July 2010, Bank of Communication Financial Leasing Co., Ltd., a subsidiary of the Group issued a RMB2 billion term debt in China's inter-bank bond market, which has a maturity of three years and bears interest at the annual rate of 3.15%.

(c) The Group issued subordinated debts amounting to RMB25 billion on 1 July 2009 in China's inter-bank bond market:

The first type of subordinated debts, which was in the principal amount of RMB11.50 billion with a maturity of 10 years, has a fixed coupon rate of 3.28% for the first five years, payable annually. The Group has an option to redeem these debts at face value on 3 July 2014. If the Group does not exercise this option, these debts will bear interest at a fixed rate of the original coupon rate plus 3% for the remaining five years.

The second type of subordinated debts, which was in the principal amount of RMB13.50 billion with a maturity of 15 years, has a fixed coupon rate of 4% for the first ten years, payable annually. The Group has an option to redeem these debts at face value on 3 July 2019. If the Group does not exercise this option, these debts will bear interest at a fixed rate of the original coupon rate plus 3% for the remaining five years.

(d) On 21 October 2011, the Group issued subordinated debts in China's inter-bank bond market, which was in the principal amount of RMB26 billion with a maturity of 15 years, has a fixed coupon rate of 5.75%, payable annually. The Group has an option to redeem these debts at face value on 23 October 2021.

(e) The Group issued term debts amounting to RMB1 billion on 8 March 2012 in Hong Kong. The first type of term debts, which was in the principal amount of RMB700 million with a maturity of 2 years, has a fixed coupon rate of 2.98%. The second type of term debts, which was in the principal amount of RMB300 million with a maturity of 3 years, has a fixed coupon rate of 3.10%.

(2) Certificates of deposit were issued by the branches of the Bank in Hong Kong, Singapore and Sydney.

31 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	Ordinary shares of RMB1 each (RMB million)	Capital surplus (RMB million)	Total (RMB million)
As at 1 January 2012	61,886	61,886	69,465	131,351
Additional stock issued to specific investors[(a)]	12,377	12,377	43,918	56,295
As at 31 December 2012	74,263	74,263	113,383	187,646

	Number of shares (in millions)	Ordinary shares of RMB1 each (RMB million)	Capital surplus (RMB million)	Total (RMB million)
As at 1 January 2011	56,260	56,260	69,465	125,725
Distributions of stocks dividend	5,626	5,626	—	5,626
As at 31 December 2011	61,886	61,886	69,465	131,351

The shareholding structure of the Bank's as at 31 December 2012 and 2011 are as follows:

	As at 31 December 2012		As at 31 December 2011	
	Number of shares (in millions)	Approximated percentage of the Bank's issued share capital	Number of shares (in millions)	Approximated percentage of the Bank's issued share capital
RMB ordinary shares (A shares)	39,251	52.85%	32,709	52.85%
Overseas listed foreign shares (H shares)	35,012	47.15%	29,177	47.15%
Total number of shares	74,263	100.00%	61,886	100.00%

(a) Having been approved by the shareholders at the 2012 First Extraordinary General Meeting and obtained the China Banking Regulatory Commission ("CBRC") at Yin Jian Fu [2012] No. 222, <CBRC's Approval on Non-public Offering of Bank of Communications Co., Ltd on A Shares and H Shares>, the China Securities Regulatory Commission at Zheng Jian Xu Ke [2012] No. 1097, <Approval on Non-public Offering of Bank of Communications Co., Ltd> and [2012] No. 1098, <Approval on Issuing Additional Oversea Listing Shares of Bank of Communications Co., Ltd>, the Bank has made non-public offering on A shares and H shares during this period.

On 22 August 2012, the Bank issued 6,542 million A shares with nominal value of RMB1 per share at issuing price of RMB4.55 per share. The net proceed from the fund-raising was RMB29,668 million, net with issuance costs of which RMB6,542 million was recorded in "Share Capital" and RMB23,126 million was recorded in "Capital Surplus". Deloitte Touche Tohmatsu CPA Limited had verified and issued the capital verification report De Shi Bao (Yan) Zi (12) No. 0050 for the above shares issued.

On 27 August 2012, the Bank issued 5,835 million H shares with nominal value of RMB1 per share and issuing price of HK$5.63 per share. The net proceed from the fund-raising was RMB equivalent 26,627 million, net with issuance costs of which RMB5,835 million was recorded in "Share Capital" and RMB20,792 million was recorded in "Capital Surplus". Deloitte Touche Tohmatsu CPA Limited had verified and issued the capital verification report De Shi Bao (Yan) Zi (12) No. 0051 for the above shares issued. The bank has finished the registration of business alteration on 5 January 2013.

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

31 SHARE CAPITAL AND CAPITAL SURPLUS *(Continued)*

Transactions of the following natures are recorded in the capital surplus:

(I) share premium arising from the issuance of shares at prices in excess of their par value;
(II) donations received from shareholders; and
(III) any other items required by the PRC regulations.

Capital surplus can be utilised to offset prior years' accumulated losses, for the issuance of stock dividend or for increasing paid-up capital as approved by the shareholders.

As at 31 December 2012 and 2011, the Bank's capital surplus is listed as follows:

	As at 1 January 2012	Additions	Disposals	As at 31 December 2012
Share premium	68,851	43,918	—	112,769
Property revaluation gain designated by MOF	472	—	—	472
Donation of non-cash assets	145	—	—	145
Acquisition of non-controlling interests	(29)	—	—	(29)
Others	26	—	—	26
Total	69,465	43,918	—	113,383

	As at 1 January 2011	Additions	Disposals	As at 31 December 2011
Share premium	68,851	—	—	68,851
Property revaluation gain designated by MOF	472	—	—	472
Donation of non-cash assets	145	—	—	145
Acquisition of non-controlling interests	(29)	—	—	(29)
Others	26	—	—	26
Total	69,465	—	—	69,465

32 RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the Directors and are subject to the resolutions to be passed at the General Meeting.

Pursuant to the relevant PRC banking regulations, the Bank is required to transfer a certain amount of its net income to the statutory general reserve through its profit appropriation. It is determined based on the overall unidentified loss exposure, normally no lower than 1% of the ending balance of risk assets. The statutory general reserve is an integral part of equity interest but not subject to dividend distribution. Such statutory general reserve is recognised in the statement of financial position upon approval by the shareholders at the Annual General Meeting. Regulatory reserve of the Hong Kong branch required by the Hong Kong Monetary Authority is also included in above statutory general reserve.

Since 1 July 2012, pursuant to "Administrative Measures for the Provisioning of Financial Enterprises" (Cai Jin [2012] No. 20), the Group made general reserve for the risk assets as defined by the policy.

In accordance with the relevant PRC legislation, after the statutory reserve has been transferred from the net distributable profit of the Bank, discretionary reserve is recognised upon approval by the shareholders at the General Meeting.

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

32 RESERVES AND RETAINED EARNINGS *(Continued)*

On 9 May 2012, the shareholders at the 2012 First Extraordinary General Meeting approved the following profit appropriation of 2011:

	Amount arising from the prior year, approved and processed in 2012
Statutory reserve	4,991
Statutory general reserve	4,808
Discretionary reserve	9,917
	19,716

On 27 March 2013, the Directors proposed the following profit appropriation, which is still subject to the approval by the shareholders at the Annual General Meeting:

	Year ended 31 December 2012
Statutory reserve	5,723
Statutory general reserve	27,326
Discretionary reserve	20,353
	53,402

As at 31 December 2012, the subsidiaries of the Bank provided statutory and discretionary reserves of RMB296 million (31 December 2011: RMB262 million), and statutory general reserve (consisting of statutory general reserve and trust compensation reserve) of RMB407 million (31 December 2011: RMB205 million).

33 DIVIDENDS

	Year ended 31 December	
	2012	2011
Stocks and cash dividends paid to shareholders of the Bank in the year	6,189	6,751

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:

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

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

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

33 DIVIDENDS *(Continued)*

Based on the proposal on 30 March 2011 at the 5th meeting on the 6th Session of the Board of Directors and approved at the Annual General Meeting on 28 June 2011, the Bank transferred a total of RMB5,132 million to the statutory general reserve. A profit appropriation based on the total number of shares outstanding of 56.26 billion shares (RMB 1 per share) as at 31 December 2010 was also approved as follows: (i) a ten-for-one stocks dividend, amounting to RMB5,626 million, (ii) cash dividend of RMB0.20 (before tax) per every 10 shares, amounting to RMB1,125 million, and (iii) a transfer of RMB16,968 million to discretionary reserve. The registration date for the above stocks and cash dividends is 18 July 2011. The actual distribution date is 18 August 2011.

Based on the proposal on 28 March 2012 at the 12th meeting on the 6th Session of the Board of Directors and approved at the First Extraordinary General Meeting on 9 May 2012, 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 (RMB 1 per share) as at 31 December 2011 was also approved. The actual distribution date of the above cash dividend was 18 June 2012.

On 27 March 2013, the 19th meeting of the 6th session of the Board of Directors of the Bank proposed to transfer a total of RMB27,326 million to the statutory general reserve and RMB20,353 million to discretionary reserve. A cash dividend of RMB0.24 (before tax) per share, amounting to RMB17,823 million based on the total number of shares outstanding of 74.263 billion shares (RMB 1 per share) as at 31 December 2012 was also proposed. These proposals are still subject to the approval by the Shareholders' Meeting of the Bank.

34 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:

Group

	As at 31 December 2012	As at 31 December 2011 (Restated)
Letters of guarantee	326,767	218,012
Letters of credit	82,398	82,755
Acceptances	517,946	447,943
Other commitments with an original maturity of		
— Under 1 year	228,549	165,000
— 1 year and over	208,016	204,949
	1,363,676	1,118,659

Bank

	As at 31 December 2012	As at 31 December 2011 (Restated)
Letters of guarantee	326,739	218,012
Letters of credit	82,398	82,755
Acceptances	517,393	447,935
Other commitments with an original maturity of		
— Under 1 year	228,549	165,000
— 1 year and over	207,993	204,949
	1,363,072	1,118,651

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

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Capital expenditure commitments

Group

	As at 31 December 2012	As at 31 December 2011
Capital expenditure commitments	4,333	3,463

Bank

	As at 31 December 2012	As at 31 December 2011
Capital expenditure commitments	4,327	3,460

The capital expenditure commitments of the Group and the Bank include those authorised but not contracted for and those contracted but not provided for.

Operating lease commitments

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

Group

	As at 31 December 2012	As at 31 December 2011
Within 1 year	1,907	1,392
Beyond 1 year and not more than 2 years	1,713	1,248
Beyond 2 years and not more than 3 years	1,389	1,031
Beyond 3 years and not more than 5 years	1,616	1,195
More than 5 years	1,435	1,207
	8,060	6,073

Bank

	As at 31 December 2012	As at 31 December 2011
Within 1 year	1,869	1,360
Beyond 1 year and not more than 2 years	1,692	1,228
Beyond 2 years and not more than 3 years	1,376	1,016
Beyond 3 years and not more than 5 years	1,599	1,185
More than 5 years	1,433	1,207
	7,969	5,996

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

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Operating lease commitments *(Continued)*

The Group acts as lessor in operating leases principally through aircrafts and vessel leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircrafts and vessel under non-cancellable operating leases are as follows:

Group

	As at 31 December 2012	As at 31 December 2011
Within 1 year	365	38
Beyond 1 year and not more than 2 years	365	38
Beyond 2 years and not more than 3 years	365	38
Beyond 3 years and not more than 5 years	730	76
More than 5 years	1,752	78
	3,577	268

Commitments on security underwriting and bond acceptance

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Outstanding balance on security underwriting	66,562	35,660
Outstanding balance on bond acceptance[a]	31,013	25,974

(a) The Bank is entrusted by the MOF to underwrite certain Certificated Treasury Bonds. The investors of Certificated Treasury Bonds have early redemption right while the Bank has the obligation to buy back those Certificated Treasury Bonds. The redemption price is the principal value of the Certificated Treasury Bonds 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 Certificated 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. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 27. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the years are summarised as follows:

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Outstanding claims	1,261	1,508
Provision for outstanding litigation (Note 27)	389	561

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

35 COLLATERALS

Assets pledged are mainly collaterals under repurchase and short selling agreements with banks and other financial institutions and deposits for memberships of domestic stock exchanges.

Group

	Pledged Assets		Related Liabilities	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Trading securities	2,378	3,714	3,286	3,250
Investment securities	30,334	26,317	28,707	24,770
	32,712	30,031	31,993	28,020

Bank

	Pledged Assets		Related Liabilities	
	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Trading securities	2,378	3,714	3,286	3,250
Investment securities	30,245	26,145	28,622	24,611
	32,623	29,859	31,908	27,861

The Group accepts collaterals under reverse repurchase agreements, which are permitted for sale or re-pledge. As at 31 December 2012, the fair value of such collaterals amounted to RMB2,795 million (31 December 2011: RMB18,381 million). All pledges are conducted under standard and normal business terms. As at 31 December 2012 and 2011, the Group did not sell or re-pledge any collaterals received.

36 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

Group

	As at 31 December 2012	As at 31 December 2011
Credit risk weighted amount of financial guarantees and credit related commitments	449,980	383,661

Bank

	As at 31 December 2012	As at 31 December 2011
Credit risk weighted amount of financial guarantees and credit related commitments	449,668	383,661

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

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

37 OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR

Group

	Years ended 31 December 2012		
	Before tax amount	Tax benefit	Net of tax amount
Other comprehensive loss			
Investment securities — available-for-sale	(413)	111	(302)
Changes in fair value recorded in equity	(353)	94	(259)
Changes in fair value reclassified from equity to profit or loss	(60)	17	(43)
Translation difference on foreign operations	(35)	—	(35)
Other comprehensive loss for the year	(448)	111	(337)

Group

	Years ended 31 December 2011		
	Before tax amount	Tax benefit (expense)	Net of tax amount
Other comprehensive loss			
Investment securities — available-for-sale	(152)	43	(109)
Changes in fair value recorded in equity	48	(6)	42
Changes in fair value reclassified from equity to profit or loss	(200)	49	(151)
Translation difference on foreign operations	(523)	—	(523)
Other comprehensive loss for the year	(675)	43	(632)

38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 31 December 2012	As at 31 December 2011
Cash and balances with central banks (Note 16)	133,039	114,060
Due from banks and other financial institutions (Note 17)	138,559	95,575
	271,598	209,635

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

39 PRINCIPAL SUBSIDIARIES

(a) Details of the principal subsidiaries

Name of subsidiaries	Place of incorporation and operation	Date of incorporation	Issued and fully paid up share capital	Bank equity interest %	Principal activities
BOCOM Finance Limited	Hong Kong	13 Mar 1979	HK$90,000,000	100	Deposit taking and other financial services
Bank of Communications Trustee Limited	Hong Kong	13 Oct 1981	HK$50,000,000	100	Trustee service
BOCOM International Holdings Company Limited (former known as BOCOM Securities Company Limited)	Hong Kong	3 Jun 1998	HK$2,000,000,000	100	Securities dealing and brokerage
China BOCOM Insurance Company Limited (former known as China Communications Insurance Company Limited)	Hong Kong	1 Nov 2000	HK$400,000,000	100	General insurance and reinsurance
BOCOM International Asset Management Limited[1]	Hong Kong	18 May 2007	HK$5,000,000	100	Asset management
BOCOM International Securities Limited[1]	Hong Kong	18 May 2007	HK$510,000,000	100	Securities dealing and brokerage
BOCOM International (Asia) Limited[1]	Hong Kong	18 May 2007	HK$10,000,000	100	Securities dealing and brokerage
BOCOM International (Shanghai) Equity Investment Management Limited[1/2]	PRC	25 Oct 2010	USD10,000,000	100	Investment management and consulting
Bank of Communications Schroder Fund Management Co., Ltd.[2]	PRC	4 Aug 2005	RMB200,000,000	65	Fund management
Bank of Communications International Trust Co., LTD.[2]	PRC	18 Oct 2007	RMB2,000,000,000	85	Trust investment
Bank of Communications Financial Leasing Co., Ltd.[2]	PRC	20 Dec 2007	RMB4,000,000,000	100	Financial leasing
Dayi Bocom Xingmin Rural Bank Co.,Ltd.[2]	PRC	15 Aug 2008	RMB60,000,000	61	Commercial banking
BoComm Life Insurance Company Limited[2]	PRC	27 Jan 2010	RMB1,500,000,000	62.5	Life insurance
Anji Bocom Xingmin Rural Bank Co.,Ltd.[2]	PRC	18 Mar 2010	RMB150,000,000	51	Commercial banking
Shihezi Bocom Rural Bank Company Limited[2]	PRC	5 May 2011	RMB70,000,000	70	Commercial banking
Bank of Communications (UK) Limited	UK	29 July 2011	USD100,000,000	100	Commercial banking
Qingdao Laoshan Bocom Rural Bank Company Limited[2]	PRC	16 Aug 2012	RMB150,000,000	51	Commercial banking

Note1: These companies are the subsidiaries of the Bank's subsidiaries. BOCOM International Asset Management Limited, BOCOM International Securities Limited, BOCOM International (Asia) Limited and BOCOM International (Shanghai) Equity Investment Management Limited are all subsidiaries of BOCOM International Holdings Company Limited.

Note 2: These subsidiaries incorporated in PRC are all limited liability companies.

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

39 PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Details of the principal subsidiaries *(Continued)*

(1) Changes of subsidiaries

In August 2012, the Bank established a subsidiary, Qingdao Laoshan Bocom Rural Bank Company Limited, with registered capital of RMB150 million. The Bank owns 51% of this subsidiary.

In August 2012, the subsidiary of the Bank, BoComm Life Insurance Company Limited, increased its registered capital by RMB1 billion. The Bank injected RMB625 million capital and maintains its interest at 62.5%.

(2) Auditors of subsidiaries

For the years ended 31 December 2012 and 2011, Deloitte Touche Tohmatsu was the auditor of all principal subsidiaries incorporated in Hong Kong.

For the year ended 31 December 2012, Deloitte Touche Tohmatsu Certified Public Accountants LLP was the auditor of all principal subsidiaries incorporated in PRC. For the year ended 31 December 2011, Deloitte Touche Tohmatsu CPA Limited was the auditor of all principal subsidiaries incorporated in PRC.

For the year ended 31 December 2012, Deloitte Touche Tohmatsu Certified Public Accountants LLP was the auditor of Qingdao Laoshan Bocom Rural Bank Company Limited.

For the years ended 31 December 2012 and 2011, Deloitte LLP was the auditor of Bank of Communications (UK) Limited.

(b) Investment costs and balances with subsidiaries

	As at 31 December 2012	As at 31 December 2011
Investment cost	10,238	9,344
Due from banks and other financial institutions	3,986	70
Loans and advances to customers	4,847	3,223
Other assets	127	16
Due to banks and other financial institutions	(2,800)	(2,804)
Due to customers	(958)	(1,024)
Other liabilities	(44)	(30)
Total	15,396	8,795

40 INVESTMENT IN AN ASSOCIATE

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Investment cost	300	300
Share of post-acquisition profit/(loss)	2	(2)
Investment in an associate	302	298

The Group's and the Bank's investment in an associate is Bank of Tibet Co., Ltd., which was registered in Tibet of the PRC and established at 30 December 2011. The registered capital of the entity is RMB1,500 million, and the principal activities of the entity are banking activities. The Group held 20% of equity interest in this associate as at 31 December 2012 (2011: 20%).

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

41 TRANSFERS OF FINANCIAL ASSETS

(a) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending from these because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability for cash received. For all these arrangements, the counterparties have recourse not only to the transferred financial assets.

As at 31 December 2012, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as "securities sold under repurchase agreements"(see Note 24).

The following table provides a summary of carrying amounts related to transferred financial assets that are not derecognised and associated liabilities:

As at 31 December 2012	Financial assets at fair value through profit or loss	Investment securities available-for-sale	Investment securities held-to-maturity
Carrying amount of transferred assets	859	3,697	26,637
Carrying amount of associated liabilities	853	2,577	26,130

(b) Asset securitisation

The Bank enters into securitisation transactions in the normal course of business by which it transfers credit assets to SPEs which issue asset-backed securities to investors.

In November 2012, the Bank transferred a pool of credit assets portfolio recognised as loans and advances to customers with a carrying amount of RMB3,034 million into a SPE named as " The First Phase of 2012 Bank of Communications Credit Asset-backed Securitisation Trust", which was set up by Zhonghai Trust Co., Ltd as the trustee. The SPE issued certain credit asset-backed securities. The Bank obtained cash and subordinated tranch notes amount to RMB164 million issued by the SPE in exchange. No gain or loss was recognised as the selling price equaled to the carrying amount of the assets transferred. Although the Bank does not own more than half of the voting power, it is exposed to part of ownership risks and rewards of the SPE by holding 62% of the subordinated tranch notes issued by the SPE.

The SPE, which is part of the Group, transferred some credit risk, prepayment and interest rate risk on the transferred credit assets to other investors while the Group retained some credit risk through holding the subordinated tranch notes. The terms of the transfer agreement prevented the SPE from selling or transferring those loans unless default occurred on the credit assets and thus the Group has retained control of the transferred loans. As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the transferred loans and it has retained control of them, it continues to recognise the transferred credit assets to the extent of its continuing involvement in them. As at 31 December 2012, the carrying amount of the continuing involvement asset that the Group recognises in respect of its continuing involvement is RMB164 million and the carrying amount of the associated continuing involvement liabilities is RMB164 million.

When the Bank transfers credit assets as part of the securitisation transaction, it does not have the ability to use the transferred credit assets during the term of the arrangement. By setting up the SPE, the credit assets securitised are isolated from other assets held by the Bank. As per contract for the first phase of 2012 Bank of Communications Credit Asset-backed Securitisation, the credit assets securitised are not part of liquidate assets when the Group is legally dissolved, revoked or declared bankrupt.

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

42 RELATED PARTY TRANSACTIONS

(a) Transactions with the MOF

As at 31 December 2012, the MOF holds 19,703 million (31 December 2011: 16,413 million) shares of the Bank which represents 26.53% (31 December 2011: 26.52%) of total share capital of the Bank. The Group enters into banking transactions with the MOF under normal course of business and they mainly include the purchase and redemption of investment securities issued by the MOF and the deposits from the MOF. The volumes and outstanding balances of the related party transactions at the year end, and related income and expenses for the years are summarised as follows:

(i) Treasury bonds issued by the MOF

	Year ended at 31 December	
	2012	2011
Purchase during the year	161,688	41,122
Redemption during the year	(141,865)	(44,711)
Interest income	9,255	8,473

	As at 31 December 2012	As at 31 December 2011
Outstanding balance of treasury bonds at the beginning of the year	231,223	230,309
Outstanding balance of treasury bonds at the end of the year	253,502	231,223
Maturity range of the bonds	1 year–50 years	6 months–30 years
Interest rate range of the bonds	1.40%–6.15%	1.44%–6.15%

(ii) Deposits

	As at 31 December 2012	As at 31 December 2011
Time Deposits	56,450	35,390
Maturity range of the deposits	3 months–12 months	6 months–12 months
Interest rate range of the deposits	3.05%–4.80%	5.70%–6.83%

(iii) Interest expense

	Year ended at 31 December	
	2012	2011
Interest expense	1,215	1,640

(b) Transactions with National Council for Social Security Fund

As at 31 December 2012, National Council for Social Security Fund holds 10,311 million (31 December 2011: 7,028 million) shares of the Bank which represents 13.88% (31 December 2011: 11.36%) of total share capital of the Bank. The Group enters into transactions with National Council for Social Security Fund under normal course of business and they mainly include deposits which are carried out under normal commercial terms and paid at market rates.

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

42 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with National Council for Social Security Fund *(Continued)*

The volumes and outstanding balances at the year end, and related interest expenses for the years are summarised as follows:

Deposits

	Year ended at 31 December 2012	2011
Outstanding balance at the beginning of the year	28,233	25,033
Deposited during the year	16,067	4,207
Repaid during the year	(2,200)	(1,007)
Outstanding balance at the end of the year	42,100	28,233
Interest expense	1,229	1,495

(c) Transactions with The Hongkong and Shanghai Banking Corporation Limited ("HSBC")

As at 31 December 2012, HSBC holds 13,886 million (31 December 2011: 11,530 million) shares of the Bank which represents 18.70% (31 December 2011: 18.63%) of total share capital of the Bank. Transactions between the Group and HSBC are carried out under normal commercial terms and paid at market rates. Details of transaction volumes and outstanding balances are summarised below:

(i) Due from HSBC

	Year ended at 31 December 2012	2011
Outstanding at the beginning of the year	2,317	402
Granted during the year	207,883	587,332
Repaid during the year	(207,335)	(585,417)
Outstanding at the end of the year	2,865	2,317
Interest income	28	22

(ii) Due to HSBC

	Year ended at 31 December 2012	2011
Outstanding at the beginning of the year	19,707	10,368
Deposited during the year	68,213	153,916
Repaid during the year	(71,151)	(144,577)
Outstanding at the end of the year	16,769	19,707
Interest expense	152	304

(iii) Investment securities issued by HSBC

	Year ended at 31 December 2012	2011
Interest income	42	50

	As at 31 December 2012	As at 31 December 2011
Outstanding balance	1,555	2,137

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

42 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") *(Continued)*

(iv) Derivative transactions

	As at 31 December 2012	As at 31 December 2011
Notional amount of derivative transactions	55,613	39,959
Fair value of derivative transactions	(319)	(242)

(d) Transactions with directors and senior management

The Group enters into transactions with directors and senior management under the normal course of business and they mainly include loans and deposits, which are carried out under commercial terms and paid at market rates. The volumes during and outstanding balances at the year ended 31 December 2012 and 2011 are summarised as follows:

(i) Loans

	Year ended 31 December	
	2012	2011
Outstanding at the beginning of the year	2	2
Granted during the year	—	—
Repayment during the year	—	—
Outstanding at the end of the year	2	2

No allowance for impairment has been recognised in respect of loans granted to directors and senior management.

(ii) Deposits

	Year ended 31 December	
	2012	2011
Outstanding at the beginning of the year	9	6
Deposited during the year	3	9
Repaid during the year	(3)	(8)
Outstanding at the end of the year	9	7

(e) Transactions with associate

As at 31 December 2012, The Group holds 20% (31 December 2011: 20%) of total share capital of Bank of Tibet Co., Ltd. Transactions between the Group and Bank of Tibet Co., Ltd. are carried out under normal commercial terms and paid at market rates. Details of transaction volumes and outstanding balances are summarised below:

(i) Due to Bank of Tibet Co., Ltd.

	Year ended at 31 December	
	2012	2011
Outstanding at the beginning of the period	—	—
Deposited during the period	700	—
Repaid during the period	(700)	—
Outstanding at the end of the period	—	—
Interest expense	9	—

43 SEGMENTAL ANALYSIS

The Group's senior management 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. The operating segments are:

(i) Northern China — Including the following provinces: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia;

(ii) North Eastern China — Including the following provinces: Liaoning, Jilin, Heilongjiang;

(iii) Eastern China — Including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;

(iv) Central and Southern China — Including the following provinces: Henan, Hunan, Hubei, Guangdong, Guangxi, Hainan;

(v) Western China — Including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang;

(vi) Head Office;

(vii) Overseas — Including overseas subsidiaries and the following branches: Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Mihn City, San Francisco, Sydney, London and Taipei.

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

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

As the Group's major revenue is derived from interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expense for all reportable segments will be presented on a net basis.

The measure of segment profit or loss reviewed by the Group's senior management is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the segments.

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

43 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information

Group

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
As at 31 December 2012									
Assets									
Cash and balances with central banks	16,702	3,910	26,052	14,206	7,615	735,925	12,436	–	816,846
Due from banks and other financial institutions	42,897	13,418	84,614	82,602	8,233	241,177	48,022	–	520,963
Financial assets at fair value through profit or loss	–	–	–	405	–	42,765	8,991	–	52,161
Loans and advances to customers	483,205	148,911	1,097,640	540,186	273,578	122,171	213,937	–	2,879,628
Investment securities – loans and receivables	176	75	209	544	69	29,322	–	–	30,395
Investment securities – available-for-sale	8	1	1,604	575	12	165,142	37,266	–	204,608
Investment securities – held-to-maturity	–	–	773	–	–	596,488	1,354	–	598,615
Investment in an associate	–	–	–	–	–	302	–	–	302
Other assets	438,259	116,580	728,202	348,003	155,181	339,035	64,003	(2,019,402)	169,861
Total assets	981,247	282,895	1,939,094	986,521	444,688	2,272,327	386,009	(2,019,402)	5,273,379
Liabilities									
Due to banks and other financial institutions	(288,252)	(13,914)	(335,429)	(109,758)	(45,358)	(69,111)	(81,167)	–	(942,989)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(5,399)	(17,661)	–	(23,060)
Due to customers	(641,369)	(247,009)	(1,456,617)	(790,006)	(369,334)	(1,844)	(222,233)	–	(3,728,412)
Debts securities issued	–	–	(2,000)	–	–	(68,000)	(9,572)	–	(79,572)
Other liabilities	(43,685)	(21,482)	(112,666)	(68,735)	(24,106)	(1,791,177)	(75,450)	2,019,402	(117,899)
Total liabilities	(973,306)	(282,405)	(1,906,712)	(968,499)	(438,798)	(1,935,531)	(406,083)	2,019,402	(4,891,932)
Net on-balance sheet position	7,941	490	32,382	18,022	5,890	336,796	(20,074)	–	381,447
Acquisition cost of property and equipment and intangible assets	(1,656)	(594)	(6,870)	(2,207)	(2,120)	(363)	(286)	–	(14,096)

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

43 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information *(Continued)*

Group

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
Year ended 31 December 2012									
Interest income[1]	72,380	19,109	137,119	69,356	31,541	61,675	9,202	(159,786)	240,596
Interest expense[2]	(55,300)	(13,521)	(94,269)	(47,803)	(20,992)	(43,640)	(4,731)	159,786	(120,470)
Net interest income[3]	17,080	5,588	42,850	21,553	10,549	18,035	4,471	–	120,126
Fee and commission income	2,791	664	8,073	5,022	1,385	4,948	1,243	–	24,126
Fee and commission expense	(670)	(91)	(1,225)	(623)	(228)	(316)	(91)	–	(3,244)
Net fee and commission income	2,121	573	6,848	4,399	1,157	4,632	1,152	–	20,882
Dividend income	–	–	36	–	–	9	35	–	80
Net gains/(losses) arising from trading activities	424	86	643	301	67	(388)	136	–	1,269
Net gains/(losses) arising from de-recognition of investment securities	–	–	1	–	3	341	(16)	–	329
Insurance business income	–	–	708	–	–	–	33	–	741
Share of profit of an associate	–	–	–	–	–	4	–	–	4
Other operating income	871	206	1,503	952	499	272	454	–	4,757
Total operating revenue	20,496	6,453	52,589	27,205	12,275	22,905	6,265	–	148,188
Impairment losses on loans and advances to customers	(760)	(449)	(10,514)	(1,566)	(691)	(4)	(553)	–	(14,537)
Insurance business expense	–	–	(610)	–	–	–	(20)	–	(630)
Other operating expense	(8,273)	(3,238)	(19,617)	(10,687)	(4,917)	(8,607)	(2,466)	–	(57,805)
Profit before tax	11,463	2,766	21,848	14,952	6,667	14,294	3,226	–	75,216
Income tax	(2,921)	(712)	(5,627)	(3,843)	(1,701)	(1,321)	(615)	–	(16,740)
Net profit for the year	8,542	2,054	16,221	11,109	4,966	12,973	2,611	–	58,476
Depreciation and amortisation	(574)	(313)	(1,497)	(751)	(482)	(762)	(117)	–	(4,496)
[1]Include									
External interest income	33,042	9,464	77,769	37,193	17,735	57,677	7,716	–	240,596
Inter-segment interest income	39,338	9,645	59,350	32,163	13,806	3,998	1,486	(159,786)	–
[2]Include									
External interest expense	(29,926)	(6,334)	(42,814)	(21,262)	(7,999)	(7,906)	(4,229)	–	(120,470)
Inter-segment interest expense	(25,374)	(7,187)	(51,455)	(26,541)	(12,993)	(35,734)	(502)	159,786	–
[3]Include									
External net interest income	3,116	3,130	34,955	15,931	9,736	49,771	3,487	–	120,126
Inter-segment net interest income/(expense)	13,964	2,458	7,895	5,622	813	(31,736)	984	–	–

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

43 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information *(Continued)*

Group

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
As at 31 December 2011									
Assets									
Cash and balances with central banks	10,260	4,178	25,816	13,199	6,033	657,900	19,613	–	736,999
Due from banks and other financial institutions	2,991	812	34,733	8,471	2,341	350,435	43,457	–	443,240
Financial assets at fair value through profit or loss	–	–	–	–	–	38,421	10,001	–	48,422
Loans and advances to customers	438,679	125,396	979,286	467,734	233,053	75,970	185,267	–	2,505,385
Investment securities – loans and receivables	316	171	429	526	162	26,652	–	–	28,256
Investment securities – available-for-sale	9	–	1,435	680	14	158,062	23,892	–	184,092
Investment securities – held-to-maturity	–	–	90	–	–	542,948	1,723	–	544,761
Investment in an associate	–	–	–	–	–	298	–	–	298
Other assets	485,461	115,985	628,775	340,433	138,402	86,372	50,865	(1,726,569)	119,724
Total assets	937,716	246,542	1,670,564	831,043	380,005	1,937,058	334,818	(1,726,569)	4,611,177
Liabilities									
Due to banks and other financial institutions	(275,198)	(18,555)	(296,817)	(93,647)	(34,114)	(52,168)	(84,000)	–	(854,499)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,681)	(15,240)	–	(18,921)
Due to customers	(615,680)	(217,617)	(1,280,206)	(679,097)	(316,843)	(1,380)	(172,409)	–	(3,283,232)
Debts securities issued	–	–	(2,000)	–	–	(76,000)	(3,803)	–	(81,803)
Other liabilities	(28,781)	(7,534)	(59,882)	(30,045)	(16,645)	(1,630,370)	(53,246)	1,726,569	(99,934)
Total liabilities	(919,659)	(243,706)	(1,638,905)	(802,789)	(367,602)	(1,763,599)	(328,698)	1,726,569	(4,338,389)
Net on-balance sheet position	18,057	2,836	31,659	28,254	12,403	173,459	6,120	–	272,788
Acquisition cost of property and equipment and intangible assets	(1,348)	(592)	(2,826)	(1,137)	(1,106)	(572)	(144)	–	(7,725)

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

43 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information *(Continued)*

Group

	Northern China (Restated)	North Eastern China (Restated)	Eastern China (Restated)	Central and Southern China (Restated)	Western China (Restated)	Head Office (Restated)	Overseas (Restated)	Eliminations (Restated)	Group Total (Restated)
Year ended 31 December 2011									
Interest income[1]	60,451	15,750	111,441	53,095	24,673	47,613	6,182	(127,441)	191,764
Interest expense[2]	(43,302)	(10,533)	(73,466)	(33,856)	(15,742)	(35,474)	(3,339)	127,441	(88,271)
Net interest income[3]	17,149	5,217	37,975	19,239	8,931	12,139	2,843	–	103,493
Fee and commission income	2,957	599	7,624	3,446	1,100	4,627	1,219	–	21,572
Fee and commission expense	(694)	(72)	(1,009)	(489)	(155)	(281)	(215)	–	(2,915)
Net fee and commission income	2,263	527	6,615	2,957	945	4,346	1,004	–	18,657
Dividend income	–	–	33	–	–	18	20		71
Net gains/(losses) arising from trading activities	386	97	742	255	54	(283)	150	–	1,401
Net gains/(losses) arising from de-recognition of investment securities	–	–	5	–	–	(36)	154	–	123
Insurance business income	–	–	433	–	–	–	–	–	433
Share of loss of an associate	–	–	–	–	–	(2)	–	–	(2)
Other operating income	278	255	1,563	932	236	122	231	–	3,617
Total operating revenue	20,076	6,096	47,366	23,383	10,166	16,304	4,402	–	127,793
Impairment (losses)/reversal of on loans and advances to customers	(3,766)	(702)	(6,350)	(131)	(1,349)	3	(184)		(12,479)
Insurance business expense	–	–	(491)	–	–	–	–	–	(491)
Other operating expense	(6,829)	(2,884)	(17,195)	(9,201)	(4,010)	(7,537)	(1,716)	–	(49,372)
Profit before tax	9,481	2,510	23,330	14,051	4,807	8,770	2,502	–	65,451
Income tax	(2,439)	(649)	(6,049)	(3,635)	(1,240)	(132)	(490)	–	(14,634)
Net profit for the year	7,042	1,861	17,281	10,416	3,567	8,638	2,012	–	50,817
Depreciation and amortisation	(555)	(291)	(1,323)	(694)	(403)	(755)	(121)	–	(4,142)
[1]Include									
External interest income	28,288	7,991	63,146	29,125	14,092	43,922	5,200	–	191,764
Inter-segment interest income	32,163	7,759	48,295	23,970	10,581	3,691	982	(127,441)	–
[2]Include									
External interest expense	(22,260)	(4,698)	(32,344)	(13,628)	(5,773)	(6,673)	(2,895)	–	(88,271)
Inter-segment interest expense	(21,042)	(5,835)	(41,122)	(20,228)	(9,969)	(28,801)	(444)	127,441	–
[3]Include									
External net interest income	6,028	3,293	30,802	15,497	8,319	37,249	2,305	–	103,493
Inter-segment net interest income/(expense)	11,121	1,924	7,173	3,742	612	(25,110)	538	–	–

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

43 SEGMENTAL ANALYSIS *(Continued)*

Geographical information

	Year ended 31 December			
	2012		2011	
	Revenue	Non-current assets[1]	Revenue	Non-current assets[1]
PRC	269,219	48,788	217,225	39,912
Other countries	2,683	131	1,754	113
Total	271,902	48,919	218,979	40,025

Note 1: Non-current assets include property and equipment, land use rights, intangible assets, prepaid rental expenses, leasehold improvement, investment property and goodwill etc. It excludes financial assets, deferred income tax assets and rights arising under insurance contracts.

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other classes of business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit card and remittance. Treasury mainly comprises money market placements and takings, investment securities, and securities sold under repurchase agreements. The "Others" business segment mainly comprises items which cannot be categorised in the above business segments.

Group

	Year ended 31 December 2012				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Others Business	Total
External net interest income	61,833	21,580	36,244	469	120,126
Internal net interest income/(expense)	4,335	8,272	(12,607)	—	—
Net interest income	66,168	29,852	23,637	469	120,126
Net fee and commission income	10,647	8,572	25	1,638	20,882
Dividend income	—	—	—	80	80
Net gains/(losses) arising from trading activities	849	(4)	427	(3)	1,269
Net gains arising from de-recognition of investment securities	—	—	329	—	329
Insurance business income	—	—	—	741	741
Other operating income	478	3,654	367	258	4,757
Impairment losses on loans and advances to customers	(11,683)	(2,854)	—	—	(14,537)
Insurance business expense	—	—	—	(630)	(630)
Other operating expense					
— depreciation and amortisation	(1,274)	(2,607)	(8)	(607)	(4,496)
— others	(23,193)	(27,651)	(1,047)	(1,418)	(53,309)
Share of profit of an associate	—	—	—	4	4
Profit before tax	41,992	8,962	23,730	532	75,216
Capital expenditure	6,339	6,473	20	1,264	14,096
Total assets	2,421,169	610,869	2,219,762	21,579	5,273,379
Total liabilities	(2,676,580)	(1,213,526)	(994,442)	(7,384)	(4,891,932)

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

43 SEGMENTAL ANALYSIS *(Continued)*

Business Information *(Continued)*

Group

	Year ended 31 December 2011				
	Corporate Banking Business (Restated)	Personal Banking Business (Restated)	Treasury Business (Restated)	Others Business (Restated)	Total (Restated)
External net interest income	65,620	16,168	21,401	304	103,493
Internal net interest income/(expense)	(5,839)	9,263	(3,424)	—	—
Net interest income	59,781	25,431	17,977	304	103,493
Net fee and commission income	9,924	6,994	198	1,541	18,657
Dividend income	—	—	—	71	71
Net gains/(losses) arising from trading activities	561	15	845	(20)	1,401
Net gains arising from de-recognition of investment securities	—	—	123	—	123
Insurance business income	—	—	—	433	433
Other operating income	325	2,807	271	214	3,617
Impairment losses on loans and advances to customers	(10,943)	(1,536)	—	—	(12,479)
Insurance business expense	—	—	—	(491)	(491)
Other operating expense					
— depreciation and amortisation	(1,335)	(1,944)	(23)	(840)	(4,142)
— others	(20,041)	(23,916)	(427)	(846)	(45,230)
Share of losses of an associate	—	—	—	(2)	(2)
Profit before tax	38,272	7,851	18,964	364	65,451
Capital expenditure	2,509	3,674	43	1,499	7,725
Total assets	2,084,131	526,910	1,981,784	18,352	4,611,177
Total liabilities	(2,364,483)	(1,046,492)	(920,738)	(6,676)	(4,338,389)

There were no large transactions with a single external customer that the Group mainly relying on.

44 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

45 SUBSEQUENT EVENT

On 7 March 2013, Azure Orbit International Finance Limited, a subsidiary of the Group, issued term debts in Hong Kong, which are in the principal amount of USD500 million with a maturity of 20 years, has a fixed coupon rate of 3.75%. The term debts are guaranteed by the Bank.

Supplementary Unaudited Financial Information

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

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

1 LIQUIDITY RATIOS

The liquidity ratios that the Bank submitted to the Regulators are calculated in accordance with the formula promulgated by CBRC.

Group

	As at 31 December 2012	As at 31 December 2011
Liquidity ratios:	38.10%	35.49%

Bank

	As at 31 December 2012	As at 31 December 2011
Liquidity ratios:	37.93%	35.37%

2 CURRENCY CONCENTRATIONS

Group

	US dollar	HK dollar	Others	Total
As at 31 December 2012				
Spot assets	389,160	98,890	34,333	522,383
Spot liabilities	(319,921)	(130,508)	(36,479)	(486,908)
Forward purchases	437,706	97,358	21,213	556,277
Forward sales	(432,050)	(87,816)	(20,956)	(540,822)
Net option position	(1,895)	107	(15)	(1,803)
Net long/(short) position	73,000	(21,969)	(1,904)	49,127
Net structural position	6,106	4,115	2,378	12,599

Group

	US dollar	HK dollar	Others	Total
As at 31 December 2011				
Spot assets	265,263	83,781	31,557	380,601
Spot liabilities	(229,692)	(115,719)	(34,327)	(379,738)
Forward purchases	278,882	58,306	20,192	357,380
Forward sales	(313,676)	(13,904)	(17,467)	(345,047)
Net option position	(218)	(2)	8	(212)
Net long/(short) position	559	12,462	(37)	12,984
Net structural position	5,408	3,959	1,830	11,197

The net options position is calculated using the model user approach as set out by CBRC. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

— Investments in fixed assets and premises, net of depreciation charges;
— Capital and statutory reserves of overseas branches;
— Investments in overseas subsidiaries and related companies; and
— Loan capital.

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

3 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include loans and advances to customers, balances and placements with banks and other financial institutions, trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account of any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	Bank and other financial institutions	Public sector entities	Others	Total
As at 31 December 2012				
Asia Pacific excluding Mainland China	35,538	10,450	148,722	194,710
— of which attributed to Hong Kong	11,713	4,117	136,641	152,471
North and South America	28,328	8,131	17,330	53,789
Africa	2	—	—	2
Europe	10,688	3,565	357	14,610
	74,556	22,146	166,409	263,111

	Bank and other financial institutions	Public sector entities	Others	Total
As at 31 December 2011				
Asia Pacific excluding Mainland China	35,783	3,830	78,571	118,184
— of which attributed to Hong Kong	13,182	3,128	64,409	80,719
North and South America	24,249	418	5,655	30,322
Africa	394	—	—	394
Europe	21,847	1,079	4,452	27,378
	82,273	5,327	88,678	176,278

4 OVERDUE AND RESCHEDULED ASSETS

(a) Gross amount of overdue loans

Group

	As at 31 December 2012	As at 31 December 2011
Gross loans and advances to customers which have been overdue for:		
— within 3 months	15,771	6,779
— between 3 and 6 months	4,599	1,031
— between 6 and 12 months	4,997	2,424
— over 12 months	10,856	11,773
	36,223	22,007
Percentage:		
— within 3 months	0.54%	0.26%
— between 3 and 6 months	0.16%	0.04%
— between 6 and 12 months	0.17%	0.09%
— over 12 months	0.37%	0.46%
	1.24%	0.85%

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

4 OVERDUE AND RESCHEDULED ASSETS *(Continued)*

(a) Gross amount of overdue loans *(Continued)*

Bank

	As at 31 December 2012	As at 31 December 2011
Gross loans and advances to customers which have been overdue for:		
— within 3 months	15,763	6,779
— between 3 and 6 months	4,598	1,031
— between 6 and 12 months	4,793	2,424
— over 12 months	10,856	11,773
	36,010	22,007
Percentage:		
— within 3 months	0.53%	0.26%
— between 3 and 6 months	0.16%	0.04%
— between 6 and 12 months	0.16%	0.09%
— over 12 months	0.37%	0.46%
	1.22%	0.85%

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Gross amounts for due from banks and other financial institutions		
— within 3 months	—	—
— between 3 and 6 months	—	—
— between 6 and 12 months	—	—
— over 12 months	12	12
	12	12
Percentage:		
— within 3 months	—	—
— between 3 and 6 months	—	—
— between 6 and 12 months	—	—
— over 12 months	0.01%	0.01%
	0.01%	0.01%

As at 31 December 2012 and 2011, balances of overdue trade bills which have been included in the gross overdue loans and advances to customers are:

Group and Bank

	As at 31 December 2012	As at 31 December 2011
— within 3 months	—	—
— between 3 and 6 months	—	—
— between 6 and 12 months	29	—
— over 12 months	55	68
	84	68

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

4 OVERDUE AND RESCHEDULED ASSETS *(Continued)*

(b) Overdue and rescheduled loans

Group and Bank

	As at 31 December 2012	As at 31 December 2011
Total rescheduled loans and advances to customers	2,807	3,615
Including: rescheduled loans and advances to customers overdue above 3 months	860	1,280
Percentage of rescheduled loans and advances to customers overdue above 3 months in total loans	0.03%	0.05%

5 SEGMENTAL INFORMATION OF LOANS

(a) Impaired loans by geographical area

Group

	As at 31 December 2012		As at 31 December 2011	
	Impaired loans	Allowances for individually assessed impaired loans	Impaired loans	Allowances for individually assessed impaired loans
Domestic regions				
— Northern China	3,430	(1,692)	4,130	(1,972)
— North Eastern China	1,986	(884)	2,334	(1,214)
— Eastern China	15,593	(6,846)	8,416	(4,335)
— Central and Southern China	3,888	(2,028)	4,583	(2,420)
— Western China	1,630	(769)	2,204	(1,107)
	26,527	(12,219)	21,667	(11,048)
Hong Kong, Macau and overseas countries	468	(265)	319	(202)
	26,995	(12,484)	21,986	(11,250)

Bank

	As at 31 December 2012		As at 31 December 2011	
	Impaired loans	Allowances for individually assessed impaired loans	Impaired loans	Allowances for individually assessed impaired loans
Domestic regions				
— Northern China	3,430	(1,692)	4,130	(1,972)
— North Eastern China	1,986	(884)	2,334	(1,214)
— Eastern China	15,593	(6,846)	8,416	(4,335)
— Central and Southern China	3,888	(2,028)	4,583	(2,420)
— Western China	1,627	(768)	2,204	(1,107)
	26,524	(12,218)	21,667	(11,048)
Hong Kong, Macau and overseas countries	269	(216)	319	(202)
	26,793	(12,434)	21,986	(11,250)

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

5 SEGMENTAL INFORMATION OF LOANS *(Continued)*

(b) Overdue loans and advances to customers by geographical area

Group

	As at 31 December 2012			As at 31 December 2011		
	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans
Domestic regions						
— Northern China	4,118	(1,626)	(30)	4,132	(1,875)	(10)
— North Eastern China	1,980	(784)	(9)	2,210	(1,084)	(6)
— Eastern China	22,654	(6,308)	(1,197)	8,431	(4,003)	(36)
— Central and Southern China	5,298	(1,870)	(39)	5,096	(2,299)	(25)
— Western China	1,565	(581)	(12)	1,750	(857)	(10)
	35,615	(11,169)	(1,287)	21,619	(10,118)	(87)
Hong Kong, Macau and overseas countries	608	(231)	—	388	(189)	(4)
	36,223	(11,400)	(1,287)	22,007	(10,307)	(91)
Fair value of collaterals	15,238	—	—	9,958	—	—

Bank

	As at 31 December 2012			As at 31 December 2011		
	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans	Overdue loans	Allowances for individually assessed impaired loans	Allowances for collectively assessed impaired loans
Domestic regions						
— Northern China	4,118	(1,626)	(30)	4,132	(1,875)	(10)
— North Eastern China	1,980	(784)	(9)	2,210	(1,084)	(6)
— Eastern China	22,647	(6,308)	(1,197)	8,431	(4,003)	(36)
— Central and Southern China	5,298	(1,870)	(39)	5,096	(2,299)	(25)
— Western China	1,562	(580)	(12)	1,750	(857)	(10)
	35,605	(11,168)	(1,287)	21,619	(10,118)	(87)
Hong Kong, Macau and overseas countries	405	(181)	—	388	(189)	(4)
	36,010	(11,349)	(1,287)	22,007	(10,307)	(91)
Fair value of collaterals	15,230	—	—	9,958	—	—

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

6 LOANS AND ADVANCES TO CUSTOMERS

(a) The economic sector risk concentration analysis for loans and advances to customers (gross)

	As at 31 December 2012			As at 31 December 2011		
		%	Amount covered by collaterals		%	Amount covered by collaterals
Hong Kong						
Corporate loans						
Manufacturing						
— Petroleum and chemical	—	0.00	—	—	0.00	—
— Electronics	1,280	0.82	17	1,317	1.05	20
— Textile and clothing	383	0.25	10	439	0.35	54
— Other manufacturing	3,885	2.50	258	2,914	2.31	194
Electricity, gas and water production and supply	405	0.26	—	49	0.04	—
Construction	7,679	4.94	265	6,741	5.35	804
Transportation, storage and postal service	13,515	8.70	3,060	11,515	9.14	2,885
Telecommunication, IT service and software	244	0.16	—	401	0.32	—
Wholesale and retail	64,032	41.22	7,416	45,997	36.52	5,465
Accommodation and catering	159	0.10	6	154	0.12	3
Financial institutions	15,097	9.72	3,723	10,218	8.11	479
Real estate	9,334	6.01	8,551	9,595	7.62	8,064
Services	—	0.00	—	—	0.00	—
Education	1	0.00	—	1	0.00	—
Others	20,099	12.94	1,004	17,541	13.93	957
Corporate loans total	136,113	87.62	24,310	106,882	84.86	18,925
Individual loans						
Mortgage loans	10,321	6.64	10,317	9,795	7.78	9,787
Short-term working capital loans	60	0.04	55	87	0.07	76
Credit card advances	130	0.08	—	213	0.17	—
Others	8,724	5.62	8,205	8,973	7.12	8,594
Total individual loans	19,235	12.38	18,577	19,068	15.14	18,457
Gross amount of loans and advances before allowance for impairment	155,348	100.00	42,887	125,950	100.00	37,382
Outside Hong Kong	2,791,951			2,435,800		

The economic sector risk concentration analysis for loans and advances to customers is based on the Group's internal rating system.

The ratio of collateral loan to the total loan of the Group is 46% as at 31 December 2012 (31 December 2011: 45%).

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

6 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(b) Allowance on loans and advances by loan usage

Group

	As at 31 December 2012		As at 31 December 2011	
	Impaired loans	Allowance for individually assessed impaired loans	Impaired loans	Allowance for individually assessed impaired loans
Corporate	21,896	(9,672)	19,194	(9,610)
Individuals	5,099	(2,812)	2,792	(1,640)
	26,995	(12,484)	21,986	(11,250)
Fair value of collateral	9,208	N/A	7,647	N/A

Bank

	As at 31 December 2012		As at 31 December 2011	
	Impaired loans	Allowance for individually assessed impaired loans	Impaired loans	Allowance for individually assessed impaired loans
Corporate	21,896	(9,672)	19,194	(9,610)
Individuals	4,897	(2,762)	2,792	(1,640)
	26,793	(12,434)	21,986	(11,250)
Fair value of collateral	9,208	N/A	7,647	N/A

Collateral held against such loans mainly include cash deposits and mortgages over properties.

The amount of new provisions charged to statement of comprehensive income, and the amount of loans and advances written off during the years are disclosed below:

Group

	As at 31 December 2012			As at 31 December 2011		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporate	11,683	(1,956)	188	11,048	(1,526)	190
Individuals	2,854	(694)	135	1,431	(430)	105
	14,537	(2,650)	323	12,479	(1,956)	295

Bank

	As at 31 December 2012			As at 31 December 2011		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporate	11,666	(1,956)	188	11,042	(1,526)	190
Individuals	2,798	(694)	135	1,421	(430)	105
	14,464	(2,650)	323	12,463	(1,956)	295

List of Branches

- **BANK OF COMMUNICATIONS CO., LTD. BEIJING MUNICIPAL BRANCH**
  22 Jin Rong Street, Xicheng District, Beijing
  TEL: (010) 88668866
  SWIFT: COMMCNSHBJG
  P.C.: 100033
  FAX: (010) 88660000

- **BANK OF COMMUNICATIONS CO., LTD. TIANJIN MUNICIPAL BRANCH**
  7 You Yi Road, He Xi District, Tianjin
  TEL: (022) 23403701
  SWIFT: COMMCNSHTJN
  P.C.: 300201
  FAX: (022) 23302004

- **BANK OF COMMUNICATIONS CO., LTD. HEBEI PROVINCIAL BRANCH**
  22 Zi Qiang Road, Shijiazhuang
  TEL: (0311) 87026358
  SWIFT: COMMCNSHSJZ
  P.C.: 050000
  FAX: (0311) 87016376

- **BANK OF COMMUNICATIONS CO., LTD. TANGSHAN BRANCH**
  103 East Xin Hua Avenue, Tangshan
  TEL: (0315) 3720100
  SWIFT: COMMCNSHTSN
  P.C.: 063000
  FAX: (0315) 2849299

- **BANK OF COMMUNICATIONS CO., LTD. QINHUANGDAO BRANCH**
  174 Wen Hua Road, Hai Gang District, Qinhuangdao
  TEL: (0335) 3038260
  SWIFT: COMMCNSHQHD
  P.C.: 066000
  FAX: (0335) 3028046

- **BANK OF COMMUNICATIONS CO., LTD. HANDAN BRANCH**
  340 East Renmin Dong Road, Handan
  TEL: (0310) 6268323
  P.C: 056008
  FAX: (0310) 6268303

- **BANK OF COMMUNICATIONS CO., LTD. BAODING BRANCH**
  1868 Dong Feng Zhong Road, Baoding
  TEL: (0312) 3362589
  P.C: 071051
  FAX: (0312) 3362589

- **BANK OF COMMUNICATIONS CO., LTD. LANGFANG BRANCH**
  170 Heping Road, Langfang
  TEL: (0316) 2396058
  P.C: 065000
  FAX: (0316) 2396069

- **BANK OF COMMUNICATIONS CO., LTD. XINGTAI BRANCH**
  110 South Shoujing Road, Xingtai
  TEL: (0319) 2282688
  P.C: 054000
  FAX: (0319) 2282688

- **BANK OF COMMUNICATIONS CO., LTD. ZHANGJIAKOU BRANCH**
  215 Shenglizhong Road, Zhangjiakou
  TEL: (0313) 4115605
  P.C: 075000
  FAX: (0313) 4115065

- **BANK OF COMMUNICATIONS CO., LTD. SHANXI PROVINCIAL BRANCH**
  35 Jie Fang Road, Taiyuan
  TEL: (0351) 4071477
  4072062
  SWIFT: COMMCNSHTYN
  P.C.: 030002
  FAX: (0351) 4071457

- **BANK OF COMMUNICATIONS CO., LTD. JINCHENG BRANCH**
  878 Huang Hua Street, Jincheng
  TEL: (0356) 2026882
  SWIFT: COMMCNSHJCG
  P.C: 048026
  FAX: (0356) 2029840

- **BANK OF COMMUNICATIONS CO., LTD. LINFEN BRANCH**
  34 East Jiefang Road, Linfen
  TEL: (0357) 2120011
  P.C: 041000
  FAX: (0357) 2120029

- **BANK OF COMMUNICATIONS CO., LTD. DATONG BRANCH**
  452 South Xin Jian Road, Datong
  TEL: (0352) 5129988
  P.C: 037008
  FAX: (0352) 5129982

- **BANK OF COMMUNICATIONS CO., LTD. SHUOZHOU BRANCH**
  1 West Minfu Road, Shuozhou
  TEL: (0349) 6668222
  P.C: 036000
  FAX: (0349) 6669684

- **BANK OF COMMUNICATIONS CO., LTD. CHANGZHI BRANCH**
  71 East Tai Hang Street, Changzhi
  TEL: (0355) 3768966
  P.C: 046000
  FAX: (0355) 3768977

- **BANK OF COMMUNICATIONS CO., LTD. YANGQUAN BRANCH**
  398 Desheng Street, Yangquan
  TEL: (0353) 2195559
  P.C.: 045000
  FAX: (0353) 2939393

- **BANK OF COMMUNICATIONS CO., LTD. JINZHONG BRANCH**
  888 LONGHU STREET, JINZHONG
  TEL: (0354) 3993456
  P.C.: 030600
  FAX: (0354) 3993456

- **BANK OF COMMUNICATIONS CO., LTD. INNER MONGOLIA AUTONOMOUS REGION BRANCH**
  110 West Daxue Street, Sai Han District, Huhhot
  TEL: (0471) 3396646
  SWIFT: COMMCNSHHHH
  P.C.: 010020
  FAX: (0471) 3396580

- **BANK OF COMMUNICATIONS CO., LTD. BAOTOU BRANCH**
  24 Gang Tie Avenue, Qing Shan District, Baotou
  TEL: (0472) 5185114
  SWIFT: COMMCNSHBTU
  P.C.: 014030
  FAX: (0472) 5144698

- **BANK OF COMMUNICATIONS CO., LTD. ORDOS BRANCH**
  Wanbo Mansions, Tianjiao Avenue North, Dongsheng District, Ordos
  TEL: (0477) 8377618
  P.C.: 017000
  FAX: (0477) 8378456

- **BANK OF COMMUNICATIONS CO., LTD. XILINGOL BRANCH**
  Western Tuanjie Avenue, Xilingol
  TEL: (0479) 6981032
  P.C.: 026000
  FAX: (0479) 6981032

- **BANK OF COMMUNICATIONS CO., LTD. WUHAI BRANCH**
  The cross of West Shicheng Street and Renmin Road, Haibowan District, Wuhai
  TEL: (0473) 3108085
  P.C.: 016000
  FAX: (0473) 3108021

- **BANK OF COMMUNICATIONS CO., LTD. LIAONING PROVINCIAL BRANCH**
  100 Shi Yi Wei Road, Shen He District, Shenyang
  TEL: (024) 22828080
  SWIFT: COMMCNSHSYG
  P.C.: 110014
  FAX: (024) 22825238

- **BANK OF COMMUNICATIONS CO., LTD. ANSHAN BRANCH**
  38 Er Yi Jiu Road, Tie Dong District, Anshan
  TEL: (0412) 5554790
  SWIFT: COMMCNSHASN
  P.C.: 114001
  FAX: (0412) 5554785

- **BANK OF COMMUNICATIONS CO., LTD. FUSHUN BRANCH**
  2-1 Xi Yi Road, Xin Fu District, Fushun
  TEL: (024) 52861800
  SWIFT: COMMCNSHFSN
  P.C.: 113008
  FAX: (024) 52648493

- **BANK OF COMMUNICATIONS CO., LTD. DANDONG BRANCH**
  117 Jin Shan Avenue, Dandong
  TEL: (0415) 2125736
  SWIFT: COMMCNSHDDG
  P.C.: 118000
  FAX: (0415) 2131250

- **BANK OF COMMUNICATIONS CO., LTD. JINZHOU BRANCH**
  42 Yun Fei Street, Er Duan, Jinzhou
  TEL: (0416) 3124258
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  P.C.: 121000
  FAX: (0416) 3125832

- **BANK OF COMMUNICATIONS CO., LTD. YINGKOU BRANCH**
  21 West Bo Hai Street, Yingkou
  TEL: (0417) 2837764
  SWIFT: COMMCNSHYKU
  P.C.: 115003
  FAX: (0417) 2837764

- **BANK OF COMMUNICATIONS CO., LTD. LIAOYANG BRANCH**
  114 Xin Yun Avenue, Liaoyang
  TEL: (0419) 2127571
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  FAX: (0419) 2151178

- BANK OF COMMUNICATIONS CO., LTD. HULUDAO BRANCH
  8 Cultural Road, Long Gang District, Huludao
  TEL: (0429) 3095559
  P.C.: 125003
  FAX: (0429) 3095559

- BANK OF COMMUNICATIONS CO., LTD. DALIAN BRANCH
  6 Zhong Shan Square, Zhong Shan District, Dalian
  TEL: (0411) 82639911
  SWIFT: COMMCNSHDLN
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  FAX: (0411) 82656612

- BANK OF COMMUNICATIONS CO., LTD. JILIN PROVINCIAL BRANCH
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  TEL: (0431) 85570020
  SWIFT: COMMCNSHCCN
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  FAX: (0431) 85570100

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  4 East Song Jiang Road, Jilin
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  FAX: (0432) 62102996

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  FAX: (0433) 2520418

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  P.C.: 161006
  FAX: (0452) 2559777

- BANK OF COMMUNICATIONS CO., LTD. DAQING BRANCH
  2 Re Yuan Street Dong Feng Road, Dong Feng Xin Cun, Daqing
  TEL: (0459) 6688863
  SWIFT: COMMCNSHDQG
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  FAX: (0459) 6688860

- BANK OF COMMUNICATIONS CO., LTD. MUDANJIANG BRANCH
  38 Wusuli Road, Mudanjiang
  TEL: (0453) 6395559
  P.C.: 157020
  FAX: (0453) 6308888

- BANK OF COMMUNICATIONS CO., LTD. SHANGHAI MUNICIPAL BRANCH
  99 South Zhong Shan Road, Shanghai
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  SWIFT: COMMCNSHSHI
  P.C.: 200010
  FAX: (021) 63744799

- BANK OF COMMUNICATIONS CO., LTD. JIANGSU PROVINCIAL BRANCH
  124 North Zhong Shan Road, Nanjing
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  P.C.: 210009
  FAX: (025) 83322050

- BANK OF COMMUNICATIONS CO., LTD. XUZHOU BRANCH
  56 South Zhong Shan Road, Xuzhou
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  FAX: (0516) 85608186

- BANK OF COMMUNICATIONS CO., LTD. LIANYUNGANG BRANCH
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- BANK OF COMMUNICATIONS CO., LTD. YANGZHOU BRANCH
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  SWIFT: COMMCNSHYAN
  P.C.: 225009
  FAX: (0514) 87348552

- BANK OF COMMUNICATIONS CO., LTD. TAIZHOU BRANCH
  151 North Qing Nian Road, Taizhou
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  SWIFT: COMMCNSHTAI
  P.C.: 225300
  FAX: (0523) 86210456

- BANK OF COMMUNICATIONS CO., LTD. NANTONG BRANCH
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  SWIFT: COMMCNSHNTG
  P.C.: 226001
  FAX: (0513) 85058028

- BANK OF COMMUNICATIONS CO., LTD. ZHENJIANG BRANCH
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  P.C.: 212001
  FAX: (0511) 85021124

- BANK OF COMMUNICATIONS CO., LTD. CHANGZHOU BRANCH
  171 West Yan Ling Road, Changzhou
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  P.C.: 213003
  FAX: (0519) 86607630

- BANK OF COMMUNICATIONS CO., LTD. YANCHENG BRANCH
  68 East Jian Jun Road, Yancheng
  TEL: (0515) 88258200
  SWIFT: COMMCNSHYCA
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  FAX: (0515) 88299730

- BANK OF COMMUNICATIONS CO., LTD. HUAIAN BRANCH
  126 East Huaihai Road, Huaian
  TEL: (0517) 83788035
  P.C.: 223001
  FAX: (0515) 83788013

- BANK OF COMMUNICATIONS CO., LTD. SUQIAN BRANCH
  139 Xihu Road, Suqian
  TEL: (0527) 81668991
  P.C.: 223800
  FAX: (0527) 81668958

- BANK OF COMMUNICATIONS CO., LTD. SUZHOU BRANCH
  77 North Nan Yuan Road, Suzhou
  TEL: (0512) 65188666
  SWIFT: COMMCNSHSUZ
  P.C.: 215006
  FAX: (0512) 65186051

- BANK OF COMMUNICATIONS CO., LTD. WUXI BRANCH
  198 Middle Ren Min Road, Wuxi
  TEL: (0510) 82705226
  SWIFT: COMMCNSHWXI
  P.C.: 214001
  FAX: (0510) 82701640

- BANK OF COMMUNICATIONS CO., LTD. ZHEJIANG PROVINCIAL BRANCH
  1–39 Ju Yuan Road, Hangzhou
  TEL: (0571) 87216012
  87216232
  SWIFT: COMMCNSHHAN
  P.C.: 310020
  FAX: (0571) 87082330

- BANK OF COMMUNICATIONS CO., LTD. WENZHOU BRANCH
  JiaoHang Plaza, Chezhandadao, Wenzhou
  TEL: (0577) 88068797
  SWIFT: COMMCNSHWEN
  P.C.: 325000
  FAX: (0577) 88068567

- BANK OF COMMUNICATIONS CO., LTD. JIAXING BRANCH
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  SWIFT: COMMCNSHJXG
  P.C.: 314001
  FAX: (0573) 82052110

- BANK OF COMMUNICATIONS CO., LTD. HUZHOU BRANCH
  299 Ren Min Road, Huzhou
  TEL: (0572) 2032602
  SWIFT: COMMCNSHHUZ
  P.C.: 313000
  FAX: (0572) 2214738

- BANK OF COMMUNICATIONS CO., LTD. SHAOXING BRANCH
  283 Middle Ren Min Road, Shaoxing
  TEL: (0575) 85115890
  SWIFT: COMMCNSHSXG
  P.C.: 312000
  FAX: (0575) 85137247

- BANK OF COMMUNICATIONS CO., LTD. TAIZHOU BRANCH
  298 Donghuan Avenue, Jiaojiang District, Taizhou
  TEL: (0576) 89021190
  SWIFT: COMMCNSHTAA
  P.C.: 318000
  FAX: (0576) 89021000

- **BANK OF COMMUNICATIONS CO., LTD. JINHUA BRANCH**
  191 West Shuangxi Road, Jinhua
  TEL: (0579) 82139999
  SWIFT: COMMCNSHJHA
  P.C.: 321017
  FAX: (0579) 82139998

- **BANK OF COMMUNICATIONS CO., LTD. QUZHOU BRANCH**
  17 Xinqiao Street, Kecheng District, Quzhou
  TEL: (0570) 8519012
  P.C.: 324000
  FAX: (0570) 8519999

- **BANK OF COMMUNICATIONS CO., LTD. ZHOUSHAN BRANCH**
  177 North Huancheng Road, Zhoushan
  TEL: (0580) 2260750
  P.C.: 316000
  FAX: (0580) 2260710

- **BANK OF COMMUNICATIONS CO., LTD. LISHUI BRANCH**
  693 Zhongdong Street, Liandu District, Lishui
  TEL: (0578) 2227222
  P.C.: 323000
  FAX: (0578) 2227277

- **BANK OF COMMUNICATIONS CO., LTD. YIWU BRANCH**
  518 North Chouzhou Road, Yiwu
  TEL: (0579) 85576666
  SWIFT: COMMCNSHYWU
  P.C.: 322000
  FAX: (0579) 85573600

- **BANK OF COMMUNICATIONS CO., LTD. NINGBO BRANCH**
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  SWIFT: COMMCNSHNBO
  P.C.: 315000
  FAX: (0574) 87262365

- **BANK OF COMMUNICATIONS CO., LTD. ANHUI PROVINCIAL BRANCH**
  38 Hua Yuan Street, Hefei
  TEL: (0551) 2637049
  SWIFT: COMMCNSHHFI
  P.C.: 230001
  FAX: (0551) 2637010

- **BANK OF COMMUNICATIONS CO., LTD. WUHU BRANCH**
  BoCom Tower, West Beijing Road, Wuhu
  TEL: (0553) 3839500
  SWIFT: COMMCNSHWHU
  P.C.: 241000
  FAX: (0553) 3839531

- **BANK OF COMMUNICATIONS CO., LTD. BENGBU BRANCH**
  88 Nan Shan Road, Bengbu
  TEL: (0552) 2056075
  SWIFT: COMMCNSHBBU
  P.C.: 233000
  FAX: (0552) 2040376

- **BANK OF COMMUNICATIONS CO., LTD. HUAINAN BRANCH**
  95 Middle Chao Yang Road, Huainan
  TEL: (0554) 6645215
  SWIFT: COMMCNSHHNA
  P.C.: 232001
  FAX: (0554) 6651788

- **BANK OF COMMUNICATIONS CO., LTD. ANQING BRANCH**
  99 Long Shan Road, Anqing
  TEL: (0556) 5509699
  SWIFT: COMMCNSHAQG
  P.C.: 246004
  FAX: (0556) 5509641

- **BANK OF COMMUNICATIONS CO., LTD. MAANSHAN BRANCH**
  156 South Hu Dong Road, Maansan
  TEL: (0555) 2389158
  SWIFT: COMMCNSHMAS
  P.C.: 243000
  FAX: (0555) 2389157

- **BANK OF COMMUNICATIONS CO., LTD. TONGLING BRANCH**
  990 Middle Changjiang Road, Tongling
  TEL: (0562) 2186658
  P.C.: 244000
  FAX: (0562) 2186656

- **BANK OF COMMUNICATIONS CO., LTD. LU'AN BRANCH**
  53 South Jiefang Road, Lu'an
  TEL: (0564) 3233535
  P.C.: 237005
  FAX: (0564) 3233535

- **BANK OF COMMUNICATIONS CO., LTD. CHUZHOU BRANCH**
  81 West Langya Road, Chuzhou
  TEL: (0550) 3078005
  P.C.: 239000
  FAX: (0550) 3078005

- **BANK OF COMMUNICATIONS CO., LTD. XUANCHENG BRANCH**
  70 Aofeng Road, Xuancheng
  TEL: (0563) 2199777
  P.C.: 242000
  FAX: (0563) 2199777

- **BANK OF COMMUNICATIONS CO., LTD. BOZHOU BRANCH**
  1158 Weiwu Road, BoZhou
  TEL: (0558) 5995559
  P.C.: 236800
  FAX: (0558)-5629855

- **BANK OF COMMUNICATIONS HUAIBEI BRANCH**
  1st & 2nd Floor, Mudan Yuan of Modern Garden, Renmin Road, Huaibei
  TEL: (0561) 3159001
  P.C.: 235000
  FAX: (0561) 3159003

- **BANK OF COMMUNICATIONS CO., LTD. FUJIAN PROVINCIAL BRANCH**
  116 Hu Dong Road, Fuzhou
  TEL: (0591) 87874839 87874850
  SWIFT: COMMCNSHFUZ
  P.C.: 350003
  FAX: (0591) 87874837

- **BANK OF COMMUNICATIONS CO., LTD. QUANZHOU BRANCH**
  01# Retail Shop, No.4 Commercial Complex Building, Puxi Wanda Plaza, Baozhou Road, Fengze District, Quanzhou
  TEL: (0595) 22132992
  SWIFT: COMMCNSHQUA
  P.C.: 362000
  FAX: (0595) 22132986

- **BANK OF COMMUNICATIONS CO., LTD. PUTIAN BRANCH**
  99 Dongyuan East Road, Licheng District, Putian
  TEL: (0594) 2606722
  P.C.: 351100
  FAX: (0594) 2606729

- **BANK OF COMMUNICATIONS CO., LTD. NINGDE BRANCH**
  22 Mindong Zhong Lu, Dongqiao District, Ningde
  TEL: (0593) 2511813
  P.C.: 352100
  FAX: (0593) 2511813

- **BANK OF COMMUNICATIONS CO., LTD. ZHANGZHOU BRANCH**
  A block, Rongchang Plaza, Shuixian Avenue, Longwen District, Zhangzhou.
  TEL: (0596) 2880036, 2880001
  P.C.: 363000
  FAX: (0596) 2880036

- **BANK OF COMMUNICATIONS CO., LTD. XIAMEN BRANCH**
  9 Hu Bin Zhong Lu, Xiamen
  TEL: (0592) 2295012
  SWIFT: COMMCNSHIMN
  P.C.: 361004
  FAX: (0592) 2295013

- **BANK OF COMMUNICATIONS CO., LTD. JIANGXI PROVINCIAL BRANCH**
  199 Huizhan Road, Honggutan, Nanchang
  TEL: (0791) 88537722, 88533022
  SWIFT: COMMCNSHNCG
  P.C.: 330038
  FAX: (0791) 86214486

- **BANK OF COMMUNICATIONS CO., LTD. JINGDEZHEN BRANCH**
  1 Chang Nan Avenue, Jingdezhen
  TEL: (0798) 8570699
  SWIFT: COMMCNSHJDZ
  P.C.: 333000
  FAX: (0798) 8570660

- **BANK OF COMMUNICATIONS CO., LTD. XINYU BRANCH**
  98 West Bei Hu Road, Xinyu
  TEL: (0790) 6441577
  SWIFT: COMMCNSHIYU
  P.C.: 338000
  FAX: (0790) 6441943

- **BANK OF COMMUNICATIONS CO., LTD. JIUJIANG BRANCH**
  139 Xun Yang Road, Jiujiang
  TEL: (0792) 8231117
  P.C.: 332000
  FAX: (0792) 8118426

- **BANK OF COMMUNICATIONS CO., LTD. GANZHOU BRANCH**
  South Gate Cultural Square Dongyuan, Zhanggong District, Ganzhou
  TEL: (0797) 8200272
  P.C.: 341000
  FAX: (0797) 8200355

- **BANK OF COMMUNICATIONS CO., LTD. SHANGRAO BRANCH**
  148 WUSAN ROAD, XINZHOU DISTRICT SHANGRAO
  TEL: (0793) 8318376, 8318359
  P.C.: 334000
  FAX: (0793) 8220813

- **BANK OF COMMUNICATIONS CO., LTD. YICHUN BRANCH**
  1088 GAOSHI ROAD, YICHUN
  TEL: (0795) 3600165
  P.C.: 336000
  FAX: (0795) 3600100

- BANK OF COMMUNICATIONS CO., LTD. SHANDONG PROVINCIAL BRANCH
  98 Gong Qing Tuan Road, Jinan
  TEL: (0531) 86106389
  SWIFT: COMMCNSHJNN
  P.C.: 250012
  FAX: (0531) 86106390

- BANK OF COMMUNICATIONS CO., LTD. ZIBO BRANCH
  100 Jin Jing Avenue, Zhang Dian District, Zibo
  TEL: (0533) 2285517
  SWIFT: COMMCNSHZBO
  P.C.: 255040
  FAX: (0533) 2285526

- BANK OF COMMUNICATIONS CO., LTD. WEIFANG BRANCH
  358 East Dong Feng Street, Weifang
  TEL: (0536) 8190228
  SWIFT: COMMCNSHWFG
  P.C.: 261041
  FAX: (0536) 8190228

- BANK OF COMMUNICATIONS CO., LTD. YANTAI BRANCH
  5 Da Ma Road, Yantai
  TEL: (0535) 6677001
  SWIFT: COMMCNSHYTI
  P.C.: 264001
  FAX: (0535) 6677086

- BANK OF COMMUNICATIONS CO., LTD. WEIHAI BRANCH
  34 North Hai Bin Road, Weihai
  TEL: (0631) 52226210
  SWIFT: COMMCNSHWHI
  P.C.: 264200
  FAX: (0631) 5201144

- BANK OF COMMUNICATIONS CO., LTD. JINING BRANCH
  36 Middle Hong Xing Road, Jining
  TEL: (0537) 2883615
  SWIFT: COMMCNSHJNG
  P.C.: 272045
  FAX: (0537) 2883615
  2883659

- BANK OF COMMUNICATIONS CO., LTD. TAIAN BRANCH
  No.55 Dongyue Street, Taian
  TEL: (0538) 8220402
  SWIFT: COMMCNSHTAN
  P.C.: 271000
  FAX: (0538) 8220402

- BANK OF COMMUNICATIONS CO., LTD. DONGYING BRANCH
  213 East Er Road, Dongying
  TEL: (0546) 8831800
  SWIFT: COMMCNSHDYG
  P.C.: 257000
  FAX: (0546) 8831800

- BANK OF COMMUNICATIONS CO., LTD. RIZHAO BRANCH
  89 Taian Road, Rizhao
  TEL: (0633) 8168727
  P.C.: 276826
  FAX: (0633) 8168701

- BANK OF COMMUNICATIONS CO., LTD. LINYI BRANCH
  10 Jin Que Shan Road, Lan Shan District, Linyi
  TEL: (0539) 8960012
  P.C.: 276000
  FAX: (0539) 8960012

- BANK OF COMMUNICATIONS CO., LTD. BINZHOU BRANCH
  567 Bo Hai No.18 Road, Binzhou
  TEL: (0543) 3091256
  P.C.: 256600
  FAX: (0543) 3091256

- BANK OF COMMUNICATIONS CO., LTD. LIAOCHENG BRANCH
  49 Zhongtong Era Fontana Gardens, West Xinghua Road, Liaocheng
  TEL: (0635) 8761098
  P.C.: 252000
  FAX: (0635) 8761095

- BANK OF COMMUNICATIONS CO., LTD. HEZE BRANCH
  658 Ren Min Road, Heze
  TEL: (0530) 5876508
  P.C.: 274000
  FAX: (0530) 5876559

- BANK OF COMMUNICATIONS CO., LTD. ZAOZHUANG BRANCH
  Guangming Road Emeishan Crossing Zaozhuang New City
  TEL: (0632) 8251008
  P.C.: 277800
  FAX: (0632) 8251008

- BANK OF COMMUNICATIONS CO., LTD. DEZHOU BRANCH
  228 Guangchuan Road, Dezhou
  TEL: (0534) 2298158
  P.C.: 253000
  FAX: (0534) 2298160

- BANK OF COMMUNICATIONS CO., LTD. QINGDAO BRANCH
  6 Zhong Shan Road, Qingdao
  TEL: (0532) 82959000
  SWIFT: COMMCNSHQDO
  P.C.: 266001
  FAX: (0532) 82897062

- BANK OF COMMUNICATIONS CO., LTD. HENAN PROVINCIAL BRANCH
  11 Zheng Hua Road, Zhengzhou
  TEL: (0371) 69395800
  SWIFT: COMMCNSHZHE
  P.C.: 450008
  FAX: (0371) 69395555

- BANK OF COMMUNICATIONS CO., LTD. LUOYANG BRANCH
  226 Kai Yuan Avenue, Luoyang
  TEL: (0379) 63272668
  SWIFT: COMMCNSHLYA
  P.C.: 471023
  FAX: (0379) 63938888

- BANK OF COMMUNICATIONS CO., LTD. NANYANG BRANCH
  25 Zhong Zhou Road, Nanyang
  TEL: (0377) 63322919
  P.C.: 473000
  FAX: (0377) 63322900

- BANK OF COMMUNICATIONS CO., LTD. ANYANG BRANCH
  1 You Yi Road, Anyang
  TEL: (0372) 5016359
  P.C.: 455000
  FAX: (0372) 5016356

- BANK OF COMMUNICATIONS CO., LTD. JIAOZUO BRANCH
  1159 Ren Min Road, Jiaozuo
  TEL: (0391) 3379379
  P.C.: 454000
  FAX: (0391) 3379376

- BANK OF COMMUNICATIONS CO., LTD. PINGDINGSHAN BRANCH
  895 Jian She Road, Pingdingshan
  TEL: (0375) 3799862
  P.C.: 467099
  FAX: (0375) 3799862

- BANK OF COMMUNICATIONS CO., LTD. XINXIANG BRANCH
  688 Jin Sui Avenue (east), Xinxiang
  TEL: (0373) 5869000
  P.C.: 453003
  FAX: (0373) 5869014

- BANK OF COMMUNICATIONS CO., LTD. XUCHANG BRANCH
  114 Lian Cheng Avenue, Xuchang
  TEL: (0374) 2369955
  P.C.: 461000
  FAX: (0374) 2369986

- BANK OF COMMUNICATIONS CO., LTD. HUBEI PROVINCIAL BRANCH
  A Ruitong Square, 847 Jianshe Avenue, Wuhan
  TEL: (027) 85487110
  85487101
  SWIFT: COMMCNSHWHN
  P.C.: 430015
  FAX: (027) 85487112

- BANK OF COMMUNICATIONS CO., LTD. HUANGSHI BRANCH
  380 Yi Yang Road, Huangshi
  TEL: (0714) 6216518
  SWIFT: COMMCNSHHSI
  P.C.: 435000
  FAX: (0714) 6211018

- BANK OF COMMUNICATIONS CO., LTD. YICHANG BRANCH
  22 Sheng li Si Road, Yichang
  TEL: (0717) 6484982
  SWIFT: COMMCNSHYCG
  P.C.: 443000
  FAX: (0717) 6484831

- BANK OF COMMUNICATIONS CO., LTD. XIANGYANG BRANCH
  8 Yanjiang Avenue. Xiangyang
  TEL: (0710) 3421858
  P.C.: 441000
  FAX: (0710) 3421853

- BANK OF COMMUNICATIONS CO., LTD. XIANNING BRANCH
  18 Qianshan Road, Xianning
  TEL: (0715) 8200117, 8200107
  P.C.: 437100
  FAX: (0715) 8200097

- BANK OF COMMUNICATIONS CO., LTD. JINGMEN BRANCH
  No.106 Baiyun Road, Jingmen
  TEL: (0724) 6071003
  P.C.: 448000
  FAX: (0724) 6071008

- BANK OF COMMUNICATIONS CO., LTD. SHIYAN BRANCH
  98 Renmin Road, Shiyan
  TEL: (0719) 8616666
  P.C.: 442000
  FAX: (0719) 8616660

- BANK OF COMMUNICATIONS CO., LTD. HUNAN PROVINCIAL BRANCH
  37 Middle Shao Shan Road, Changsha
  TEL: (0731) 85555522
  SWIFT: COMMCNSHCSA
  P.C.: 410007
  FAX: (0731) 85603737

■ BANK OF COMMUNICATIONS CO., LTD. YUEYANG BRANCH
Yin Du Mansion, Nan Hu Avenue, Yueyang
TEL: (0730) 8296189
P.C.: 414000
FAX: (0730) 8296191

■ BANK OF COMMUNICATIONS CO., LTD. CHANGDE BRANCH
1266 Dongting Road, Changde City, Wuling District
TEL: (0736) 7188006
P.C.: 415000
FAX: (0736) 7188007

■ BANK OF COMMUNICATIONS CO., LTD. HENGYANG BRANCH
74 Jiefang Street, Shigu District, Hengyang
TEL: (0734) 8180996
P.C.: 421001
FAX: (0734) 8180982

■ BANK OF COMMUNICATIONS CO., LTD. CHENZHOU BRANCH
17 Renmin West Road, Chenzhou
TEL: (0735) 5889802
P.C.: 423000
FAX: (0735) 5889800

■ BANK OF COMMUNICATIONS CO., LTD. XIANGTAN BRANCH
No.1058 Hedong Road Yuetang District, Xiangtan
TEL: (0731) 58559000
P.C.: 411101
FAX: (0731) 58559000

■ BANK OF COMMUNICATIONS CO., LTD. YIYANG BRANCH
1089 Yiyang Road, Yiyang
TEL: (0737) 3689068
P.C.: 413000
FAX: (0737) 3689067

■ BANK OF COMMUNICATIONS CO., LTD. ZHUZHOU BRANCH
2 North Chang Jiang Road, Tina Yuan Disyrict, Zhuzhou
TEL: (0731) 22957722
P.C.: 412007
FAX: (0731) 22999486

■ BANK OF COMMUNICATIONS CO., LTD. YONGZHOU BRANCH
6 Cuizhu Road, Yongzhou
TEL: (0746) 8529555
P.C.: 425000
FAX: (0746) 8529556

■ BANK OF COMMUNICATIONS CO., LTD. HUAIHUA BRANCH
15 South Shun Tian Avenue, Huaihua
TEL: (0745) 2389010
P.C.: 418000
FAX: (0745) 2389010

■ BANK OF COMMUNICATIONS CO., LTD. LOUDI BRANCH
Wanhao city hall, louxing District, Dixing Road, Loudi
TEL: (0738) 8809022
P.C.: 417000
FAX: (0738) 8809022

■ BANK OF COMMUNICATIONS CO., LTD. GUANGDONG PROVINCIAL BRANCH
123 South Jie Fang Road, Guangzhou
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SWIFT: COMMCNSHGUA
P.C.: 510120
FAX: (020) 83270386

■ BANK OF COMMUNICATIONS CO., LTD. ZHUHAI BRANCH
1227 Bocom Building, Jiu Zhou Road, Zhuhai
TEL: (0756) 3338822
SWIFT: COMMCNSHZHI
P.C.: 519015
FAX: (0756) 3330881

■ BANK OF COMMUNICATIONS CO., LTD. SHANTOU BRANCH
83 Jin Sha Road, Shantou
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SWIFT: COMMCNSHSTU
P.C.: 515041
FAX: (0754) 88611962

■ BANK OF COMMUNICATIONS CO., LTD. DONGGUAN BRANCH
190 Qi Feng Road, Dongguan
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SWIFT: COMMCNSHDGN
P.C: 523008
FAX: (0769) 22336908

■ BANK OF COMMUNICATIONS CO., LTD. ZHONGSHAN BRANCH
30 South Yue Lai Road, Shi Qi, Zhongshan
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SWIFT: COMMCNSHZSN
P.C.: 528400
FAX: (0760) 88808917

■ BANK OF COMMUNICATIONS CO., LTD. FOSHAN BRANCH
30 Ji Hua Wu Road, Chan Cheng District, Foshan
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SWIFT: COMMCNSHFSA
P.C.: 528000
FAX: (0757) 83333125

■ BANK OF COMMUNICATIONS CO., LTD. JIEYANG BRANCH
Jincheng Square, Huangqishan Road West, South of Jianyang Road, Dongshan District of Jieyang
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SWIFT: COMMCNSHJYG
P.C.: 522000
FAX: (0663) 8634640

■ BANK OF COMMUNICATIONS CO., LTD. HUIZHOU BRANCH
8 West Yunshan Road, Hui Cheng District, Huizhou
TEL: (0752) 2856111
SWIFT: C0MMCNSHHUI
P.C.: 516003
FAX: (0752) 2856113

■ BANK OF COMMUNICATIONS CO., LTD. JIANGMEN BRANCH
18 Dong Hua 2 Road, Jiangmen
TEL: (0750) 3935168
SWIFT: COMMCNSHJMN
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FAX: (0750) 3935199

■ BANK OF COMMUNICATIONS CO., LTD. ZHANJIANG BRANCH
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P.C.: 524022
FAX: (0759) 2826001

■ BANK OF COMMUNICATIONS CO., LTD. QINGYUAN BRANCH
No.65, Guangqing Avenue, Qingcheng District, Qingyuan
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P.C.: 511515
FAX: 0763-3660772

■ BANK OF COMMUNICATIONS CO., LTD. ZHAOQING. BRANCH
Xin'an Avenue, Duanzhou District, Zhaoqing
TEL: (0758) 2109888
P.C.: 526000
FAX: (0758) 2109810

■ BANK OF COMMUNICATIONS CO., LTD. SHENZHEN BRANCH
2066 Middle Shen Nan Road, Shenzhen
TEL: (0755) 83680000
SWIFT: COMMCNSHSZN
P.C.: 518031
FAX: (0755) 83680033

■ BANK OF COMMUNICATIONS CO., LTD. GUANGXI ZHUANG AUTONOMOUS REGION BRANCH
228 East Ren Min Road, Nanning
TEL: (0771) 2835260
SWIFT: COMMCNSHNNG
P.C.: 530012
FAX: (0771) 2835475

■ BANK OF COMMUNICATIONS CO., LTD. LIUZHOU BRANCH
32 Yue Jin Road, Liuzhou
TEL: (0772) 2860711
SWIFT: COMMCNSHLIU
P.C.: 545001
FAX: (0772) 2866680

■ BANK OF COMMUNICATIONS CO., LTD. GUILIN BRANCH
8 Nan Huan Road, Guilin
TEL: (0773) 2834167
SWIFT: COMMCNSHGLN
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FAX: (0773) 2826506

■ BANK OF COMMUNICATIONS CO., LTD. WUZHOU BRANCH
47 Da Zhong Road, Wuzhou
TEL: (0774) 2832582
SWIFT: COMMCNSHWUZ
P.C.: 543000
FAX: (0774) 2827711

■ BANK OF COMMUNICATIONS CO., LTD. BEIHAI BRANCH
Tower, 25 Yun Nan Road, Beihai
TEL: (0779) 3088836
SWIFT: COMMCNSHBHI
P.C.: 536000
FAX: (0779) 3038440

■ BANK OF COMMUNICATIONS CO., LTD. GUIGANG BRANCH
72 Zhong Shan Road, Guigang
TEL: (0775) 4369212
SWIFT: COMMCNGUIG
P.C.: 537100
FAX: (0775) 4369212

■ BANK OF COMMUNICATIONS CO., LTD. YULIN BRANCH
265 East Ren Min Road, Yulin
TEL: (0775) 2295851
P.C.: 537000
FAX: (0775) 2295852

- BANK OF COMMUNICATIONS CO., LTD. HAINAN PROVINCIAL BRANCH
45, Guo Mao Road, Haikou
TEL: (0898) 68532666
SWIFT: COMMCNSHHNN
P.C.: 570125
FAX: (0898) 68532333

- BANK OF COMMUNICATIONS CO., LTD. SANYA BRANCH
Chuang Ye Building D Block, No.241 Xin Feng Street, Sanya
TEL: (0898) 88260222
P.C.: 572000
FAX: (0898) 88260246

- BANK OF COMMUNICATIONS CO., LTD. CHONGQING MUNICIPAL BRANCH
158 Zhongshan San Road, Yu Zhong District, Chongqing
TEL: (023) 63632020
SWIFT: COMMCNSHCQG
P.C.: 400015
FAX: (023) 63851916

- BANK OF COMMUNICATIONS CO., LTD. SICHUAN PROVINCIAL BRANCH
211 Xi Yu Long Street, Chengdu
TEL: (028) 86525666
SWIFT: COMMCNSHCDU
P.C.: 610015
FAX: (028) 86525555

- BANK OF COMMUNICATIONS CO., LTD. ZIGONG BRANCH
108 Wu Xing Street, Zi Liu Jing District, Zigong
TEL: (0813) 2105667
P.C.: 643000
FAX: (0813) 2105667

- BANK OF COMMUNICATIONS CO., LTD. PANZHIHUA BRANCH
129 Bing Cao Gang Avenue, Panzhihua
TEL: (0812) 3336955
P.C.: 617000
FAX: (0812) 3334197

- BANK OF COMMUNICATIONS CO., LTD. DEYANG BRANCH
10 East Zhu Jiang Road, Deyang
TEL: (0838) 2907961
P.C.: 618000
FAX: (0838) 2907961

- BANK OF COMMUNICATIONS CO., LTD. LUZHOU BRANCH
NO.16 Section 1 Jiucheng Avenue, Jiangyang District, Luzhou
TEL: (0830) 2360571
P.C.: 646000
FAX: (0830) 2360518

- BANK OF COMMUNICATIONS CO., LTD. NANCHONG BRANCH
NO.168 Jinquan Road, Nanchong
TEL: (0817) 2289033
P.C.: 637000
FAX: (0817) 2289099

- BANK OF COMMUNICATIONS CO., LTD. LESHAN BRANCH
889 WEST BAI YANG ROAD OF THE CITY CENTER, LESHAN
TEL: (0833) 2051111
P.C.: 614000
FAX: (0833) 2051111

- BANK OF COMMUNICATIONS CO., LTD. GUIZHOU PROVINCIAL BRANCH
4 Sheng Fu Road, Guiyang
TEL: (0851) 5861460
SWIFT: COMMCNSHGYG
P.C.: 550001
FAX: (0851) 5861460

- BANK OF COMMUNICATIONS CO., LTD. ZUNYI BRANCH
108 Zhong Hua Road, Hong Hua Gang District Zunyi
TEL: (0852) 8824421
SWIFT: COMMCNSHZYI
P.C.: 563000
FAX: (0852) 8825356

- BANK OF COMMUNICATIONS CO., LTD. BIJIE BRANCH
YUJINGHUATING BUILDING, STREET INTERSECTION OF NO.1 RD AND BIYANG RD (GUIBI RD), THE NEW SOUTH DISTRICT, BIJIE
TEL: (0857) 8947006
P.C. : 551700
FAX: (0857) 8947006

- BANK OF COMMUNICATIONS CO., LTD. YUNNAN PROVINCIAL BRANCH
67 Hu Guo Road, Kunming
TEL: (0871) 63107673
SWIFT: COMMCNSHKMG
P.C.: 650021
FAX: (0871) 63107584

- BANK OF COMMUNICATIONS CO., LTD. QUJING BRANCH
South Qilin Road and Wenchang Street Crossing, Qujing
TEL: (0874) 8988588 8988511
SWIFT: COMMCNSHQJG
P.C.: 655000
FAX: (0874) 8988555

- BANK OF COMMUNICATIONS CO., LTD. YUXI BRANCH
61 Yu Xing Road, Hong Ta District, Yuxi
TEL: (0877) 20556555
SWIFT: COMMCNSHYXI
P.C.: 653100
FAX: (0877) 2056555

- BANK OF COMMUNICATIONS CO., LTD. CHUXIONG BRANCH
102 Beipu Road, Chuxiong
TEL: (0878) 3131843
SWIFT: COMMCNSHCXG
P.C.: 675000
FAX: (0878) 3121712

- BANK OF COMMUNICATIONS CO., LTD. DALI BRANCH
281 YunHe Road, Economic Development Zone, Dali
TEL: (0872) 2318986
P.C.: 671000
FAX: (0872) 2143666

- BANK OF COMMUNICATIONS CO., LTD. SHAANXI PROVINCIAL BRANCH
88 Xi Xin Street, Xian
TEL: (029) 87653017
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