



**北京银行**  
**BANK OF BEIJING**

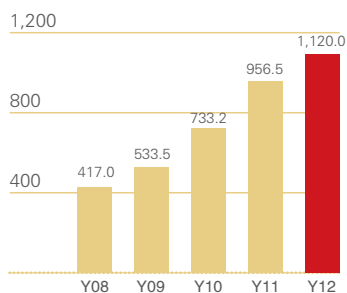
真诚 所以信赖

# Financial Highlights

Since the public listing in 2007, Bank of Beijing has maintained a balanced development of profit, scale and quality, and achieved outstanding performance.

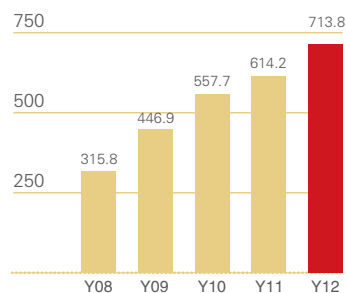
## Total assets balance

Unit: billion Yuan



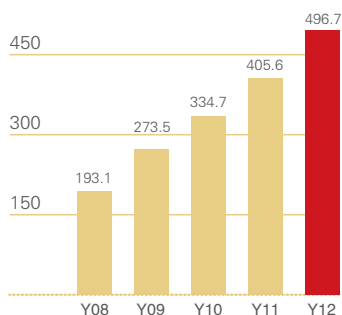
## Total deposits balance

Unit: billion Yuan



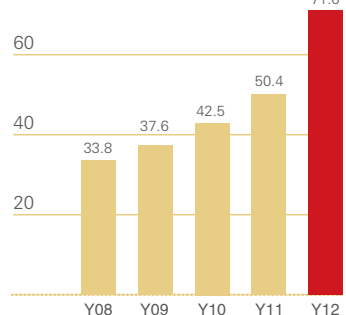
## Total loans balance

Unit: billion Yuan



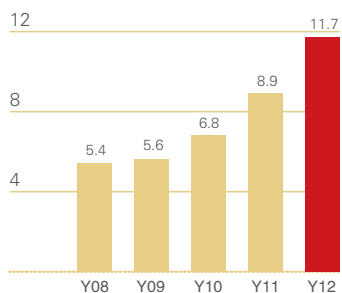
## Equity attributed to parent company's shareholders

Unit: billion Yuan



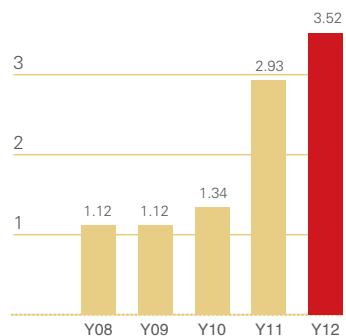
## Net Profit

Unit: billion Yuan



## Total dividend

Unit: billion Yuan



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*Legal Notice: The English version is an unofficial courtesy translation of the original Chinese document. In case of any inconsistency, the Chinese version shall prevail.*



## Message from the Chairman

As the year of 2013 arriving, Bank of Beijing has stepped into its 18th year of development.

It was in 2012 that the CPC had its successful 18th Congress. Also in 2012, following the scientific guidance of government departments and regulatory authorities, with the theme of scientific development, Bank of Beijing has worked hard to endeavor its journey on strategic transformation and business structure optimization.

At the end of 2012, Bank of Beijing's total assets balance reached 1.12 trillion Yuan; net profit was 11.7 billion Yuan, with a YOY growth of 30%; profit per capital was over 1.40 million Yuan, while cost/income ratio was 26%, which enabled the Bank to become the best profit per capital bank listed for six successive years; the Bank's ROA was 1.13%, ROE was 19.14%, CAR reached 12.90%, NPL ratio was 0.59% and provision coverage ratio was 420%. Currently, the Bank ranks No.132 in terms of tier1 capital on the Top1000 World Banks list, with a brand value over 10 billion Yuan.

In addition to outstanding business results, Bank of Beijing also achieved various strategic breakthroughs: It has successfully completed the first private placement after public listing, which raised 11.8 billion Yuan capital. Regional institutions increased to 68 branches, with asset contribution over 40% to the Bank's total assets. Bank of Beijing Consumer Finance Company realized profit of 40.00 million Yuan and developed more than 40 thousand clients; ING-BoB Life Insurance greatly improved its competitiveness, and now ranks No.1 among joint venture companies; all the three village banks have maintained a good development, and built a diversified, professional and centralized comprehensive financial service platform. The Bank also launched a three-year blueprint for "technology finance", committing minimum 100 billion Yuan financing support to technology companies; provided in total 50 billion Yuan to support culture & creative sectors, to build the "Best bank in culture finance service", and its market share in Beijing reached over 50%; promoted "Beijing Social Security Card" and developed bank-hospital settlement connection, to improve the convenience for citizens.

The success of Bank of Beijing is fundamentally attributed to the great age of the reform & opening up, to the prosperous development of China's economy, to the scientific decision-making of the Party, State Council and government authorities, to the appropriate guidance from regulators, and to the care and support from our shareholders, clients and the public. On behalf of the Bank, I would like to express our utmost gratitude to all of you. Thank you.

Towards the journey ahead, under the guidance of the 18th CPC Congress spirit, Bank of Beijing will continue to impellent the macro policy, to build an international top-class modern bank, in order to contribute more to China's growth.

Chairman:





## Message from the President

The year of 2012 has been significantly important for China, where the Party's 18th Congress was organized successfully, China's economy had stable and relatively rapid development, interest rate de-regulation has been accelerated and the livelihood and social security for the people has been tremendously improved. Faced the changing environment, Bank of Beijing has strived towards its goal to deliver satisfactory performance to investors.

**Steady improvement of business results.** In 2012, Bank of Beijing has accelerated its transformation and enhanced fine management, which achieved a balanced development of scale, profit and quality. Total assets balance at year-end was 1.12 trillion Yuan, up by 17% compared to 2011-end; total deposits and loans balance reached 713.8 billion Yuan and 496.7 billion Yuan respectively, which increased by 16% and 22%. Net profit achieved was 11.7 billion Yuan, with a YOY growth of 30%. ROA was 1.13% and ROE was 19.14%. Profit per capital exceeded 1.40 million Yuan while maintaining a 26% cost/income ratio. NPL ratio at year-end was 0.59% while provision coverage ratio was 420%. The provision/total loan ratio also reached regulatory requirement of 2.50% four years ahead of schedule. The Bank maintained a good asset quality and strong risk resistance capacity.

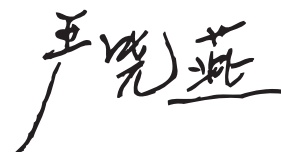
**Remarkable progress of strategic transformation.** Driving by innovation, the Bank achieved rapid growth in SME, retail and fee business. At the end of 2012, SME lending balance was 190.8 billion Yuan, up by 25% than 2011-end. Its contribution in total corporate lending also increased by 3 percent to 51%. Growth of retail banking was above the average business growth, where savings deposits increased by 21% and contribution in total deposits went up to almost 20%, retail loan balance accounted for 18% of total lending. Net fee & commission income was 2.7 billion, with a YOY growth of 66%.

**Outstanding featured financial brands.** In 2012, Bank of Beijing continued a featured, differentiated and professional development, to build "technology finance", "culture finance" and "consumer finance". It provided in total 100.0 billion Yuan loan to over 4000 high-tech micro companies in Zhongguancun Innovation Zone; market share of culture finance in Beijing has always been above 50%; it also granted 2.2 billion Yuan consumer finance and year-end balance was 1.9 billion with 42 thousand clients.

**Great recognition of brand value.** On the latest list of "The Banker" for Top1000 World Banks, Bank of Beijing ranks No.132 in terms of tier 1 capital, up by 13 positions than 2011. On the "Top500 most valuable Chinese brands" by the "World Brand Lab", it ranks No.134 with a brand value of 10.64 billion Yuan, up by 5 positions than 2011.

The year of 2013 will be the critical year for China's "12th five-year" planning, and a challenging year for banking sector's transformation. Bank of Beijing has fully prepared itself to embrace the new chapter and continue to build a legendary bank!

President:









## Definitions and Significant Risk Warning

### Definitions

Unless otherwise stated, the following terms shall have the meaning set out below in this Report:

In the Report	Definition
The Bank, the Company, BoB	Bank of Beijing Co., Ltd.
AOA, Articles of Association	The Articles of Association of the Bank
PBOC, Central Bank	People's Bank of China
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Yuan	Renminbi Yuan

### Significant Risk Warning

The Company mainly faces credit risk, market risk, liquidity risk and operational risk etc in its operation. The Company has taken measures to effectively manage and control those business risks. Details please refer to Section IV Report of Board of Directors.

## Section I Important Notice

1.1 The Board of Directors, Supervisory Board and Directors, Supervisors as well as senior managers of the Bank hereby warrant that there are no false records, misleading statements or material omissions in the information contained in this report, and undertake individual and joint obligations for the authenticity, accuracy and integrity of the report content.

1.2 This annual report (including text and summary) was reviewed and approved by the Company's Board of Directors on 25 April 2013.

1.3 Profit distribution plan of the reporting term or capital surplus conversion to equity plan.

Based on the total share capital of 8.80 billion shares as of 2012-end as the foundation, every 10 shares held by shareholders will receive cash dividend 4.00 Yuan (tax inclusive), in total 3.52 billion Yuan (tax inclusive).

1.4 The annual financial statement of the Company has been audited by PricewaterhouseCoopers Zhongtian Public Certified Accountants, who also issued standard unqualified audit report.

1.5 Mr. Yan Bingzhu, Chairman, Mrs. Yan Xiaoyan, President, Mrs. Du Zhihong, CFO, and Mrs. Yao Yi, Head of Finance, hereby guarantee the authenticity and integrity of the financial statements contained in this annual report.

1.6 This report may contain forward-looking statements that involve future plans. These forward-looking statements mentioned do not constitute a commitment by the Bank to its investors. Investors should be aware of the investment risks.

## Section II Corporate Information

### 2.1 Registered Corporate Name in Chinese:

北京银行股份有限公司

(Chinese abbreviation: 北京银行)

### Registered Corporate Name in English:

Bank of Beijing Co.,Ltd. (Condensation: "BOB")

### 2.2 Legal Representative: Yan Bingzhu

### 2.3 Secretary of the Board of Directors: Yang Shujian

Contact Address: No. C-17, Financial Street, Xicheng District, Beijing, China

Telephone: (86) 10-66223826

Fax: (86) 10-66223833

E-mail of Board's Secretary: snow@bankofbeijing.com.cn

### 2.4 Registered Address: Ground Floor, No. A-17, Financial Street, Xicheng District, Beijing

Office Address: No. C-17, Financial Street, Xicheng District, Beijing

Postal Code: 100033

Telephone: (86) 10-66426500

Fax: (86) 10-66426519

Website: <http://www.bankofbeijing.com.cn>

### 2.5 Designated Newspapers for Information Disclosure:

China Securities, Shanghai Securities, Securities Times, Securities Daily

Websites Designated by CSRC to Publish the Annual Report: <http://www.sse.com.cn>

Place where the Annual Report can be obtained: Board's Office of the Bank

### 2.6 Listed Stock Exchange: Shanghai Stock Exchange

Stock abbreviation: Bank of Beijing

Stock code: 601169

## Corporate Information

### 2.7 Other Related Information

Initial Registration Date: 29 January 1996

Modified Registration Date: 14 December 2012

Place of Initial Registration: No.65, You'anmen Nei Street, Xuanwu District, Beijing

Modified registration place: Ground Floor, No. A-17, Financial Street, Xicheng District, Beijing

Corporate Business License Serial Number: 110000005064399

Tax Registration Certificate Number: Jing Shui Zheng Zi 110104101174712

Organization Institution Code: 10117471-2

### 2.8 Accountant Employed: PriceWaterHouse Coopers Zhongtian Certified Public Accountants

Address: Floor 11, PWC Plaza, Qiye Tiandi No.2 Building, No.202 Hubin Road, Luwan Region, Shanghai

Office Address: Floor 26, Block A, Beijing Financial Center, No.7 Dong San Huan Zhong Road, Chaoyang District, Beijing

### 2.9 Sponsor for constant supervising responsibilities during the reporting term: China Securities Co. Ltd

Office address: No.188 Chaoyangmennei Street, Dongcheng District, Beijing

Representatives of the sponsor for signing: Guo Yingying, Tao Yingbing

Constant supervision term: March 2012 - December 2013

## Section III Summary of Accounting Data and financial Indicators

### 3.1 Key profit figures during reporting period

(Unit: '000 Yuan)

Item	Reporting term
Total profit	14,769,535
Net profit attributed to shareholders of listed company	11,674,808
Net profit after extraordinary gains & losses attributed to shareholders of listed company	11,666,431
Operating profit	14,655,246
Non-operating profit	99,548
Business profit	14,754,794
Investment gains	357,920
Net non-operating income	14,741
Net cast flow from operating activities	-4,365,730
Net increase of cash and cash equivalents	-49,936,277

Note: (1) Calculated in accordance with "Questions and Answers No.1 Concerning Standards on Information Disclosure by Companies Issuing Securities to the Public: Extraordinary gains & losses (2007)" and "Code No.2 Concerning Contents and Format of Information Disclosure by Companies Issuing Securities to the Public";

(2) The deducted extraordinary gains & losses item is:

(Unit: '000 Yuan)

Extraordinary gains & losses	Reporting term
Non-operating income	37,472
Suspend unclaimed income	4,380
Non-current asset disposal income	43
Others	33,049
Non-operating expense	22,731
Litigation loss reserve (transfer-back)/accrual	288
Others	22,443
Net non-operating income	14,741
Income tax impact of extraordinary items	3,685
Total	11,056

## Summary of Accounting Data and financial Indicators

### 3.2 Key accounting and financial figures of the previous three years

(Unit: '000 Yuan)

Item	Y2012	Y2011	+/- (%)	Y2010
Operating income	27,816,860	20,727,734	34.20%	15,635,226
Total profit	14,769,535	11,397,482	29.59%	8,601,150
Net profit attributed to shareholders of listed company	11,674,808	8,946,703	30.49%	6,803,030
Net profit after extraordinary gains & losses attributed to shareholders of listed company	11,666,431	8,912,233	30.90%	6,809,360
Basic earnings per share (Yuan)	1.38	1.2	15%	1.09
Diluted earnings per share (Yuan)	1.38	1.2	15%	1.09
Basic earnings per share after extraordinary items (Yuan)	1.38	1.43	-3.50%	1.09
Fully diluted ROE	16%	18%	Down by 2 percent	16%
Weighted average ROE	18%	19%	Down by 1 percent	17%
Fully diluted ROE after extraordinary gains & losses	16%	18%	Down by 2 percent	16%
Weighted average ROE after extraordinary gains & losses	18%	19%	Down by 1 percent	17%
Net cash flow per share from operating activities (Yuan)	-0.52	9.31	-105.59%	5.43

Note: (1) Basic earnings per share is calculated in accordance with "Company Accounting Standards No.34 - Basic earnings per share".

(2) Other indicators are calculated in accordance with "Code No.2 Concerning Contents and Format of Information Disclosure by Companies Issuing Securities to the Public - Contents and Format of Annual Report" (revised in 2012) and "Code No.9 Concerning Information Disclosure by Companies Issuing Securities to the Public - Calculation and Disclosure of Return on Equity and Earnings per Share" (revised in 2007).

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	+/- (%)	2010.12.31
Total assets	1,119,968,926	956,498,676	17.09%	733,210,504
Total liabilities	1,048,278,212	906,065,153	15.70%	690,643,620
Shareholders' equity attributed to listed company	71,616,786	50,383,341	42.14%	42,545,984
Book value attributed to shareholders of listed company (Yuan)	8.14	8.09	0.62%	6.83

## Summary of Accounting Data and financial Indicators

## 3.3 Key business information and figures of previous three years

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	2010.12.31
Total deposits balance	713,772,465	614,241,181	557,724,336
Incl: Current savings deposits	36,128,671	29,552,742	26,540,883
Fixed savings deposits	103,578,451	85,662,939	73,342,057
Current corporate deposits	308,329,198	268,662,843	268,260,092
Fixed corporate deposits	224,978,975	197,894,676	166,902,847
Guarantee deposit	40,757,170	32,467,981	22,678,457
Total loans balance	496,720,234	405,609,515	334,731,772
Incl: Corporate loans	396,521,474	330,766,755	288,410,559
Retail loans	89,974,475	66,670,831	44,466,044
Bill discounting	10,224,285	8,171,929	1,855,169
Inter-bank borrowing	21,489,236	20,397,770	16,024,695
Loan loss reserve	13,274,946	9,532,597	7,128,968

## 3.4 Supplementary financial indicators of previous three years

Item	2012.12.31	2011.12.31	2010.12.31	
ROA	1.13%	1.06%	1.07%	
ROE	19.14%	19.25%	16.99%	
CAR	12.90%	12.06%	12.62%	
Core CAR	10.90%	9.59%	10.51%	
NPL ratio	0.59%	0.53%	0.69%	
Provision coverage ratio	419.96%	446.39%	307.12%	
Provision/total loan ratio	2.50%	2.35%	2.13%	
Cost/income ratio	25.78%	26.35%	30.30%	
Single borrower exposure ratio	9.23%	5.86%	5.71%	
Top10 borrowers exposure ratio	36.36%	36.11%	40.85%	
Normal loans migration ratio	2.33%	3.34%	1.16%	
Special-mentioned loans migration ratio	0.95%	0.79%	2.58%	
Sub-standard loans migration ratio	2.61%	3.18%	15.80%	
Doubtful loans migration ratio	5.03%	15.27%	11.20%	
Loan to deposit ratio	68.19%	64.41%	58.22%	
Inter-bank borrowing/lending ratio	Borrowing	1.56%	3.39%	2.48%
	Lending	9.62%	15.68%	4.00%
Liquidity ratio	37.57%	33.64%	37.71%	

- Note: (1) ROA = Net profit / [(Total assets at term-beginning + Total assets at term-end) / 2];  
(2) ROE= Net profit attributed to parent company / [(term-beginning net asset attributed to parent company + term-end net asset attributed to parent company) / 2];  
(3) Cost/income ratio = Business and management expense / Operating income;  
(4) Loan migration ratio is the Bank's figures.

## Summary of Accounting Data and financial Indicators

### 3.5 Capital structure & changes

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	2010.12.31
Net capital	83,857,377	61,940,946	50,036,357
Incl: net core capital	70,828,305	49,244,562	41,664,145
Total risk weighted assets	619,378,661	489,490,909	391,563,269
Capital for market risk	2,450,989	1,925,457	398,377

### 3.6 Changes of shareholders' equity during reporting period

(Unit: '000 Yuan)

Item	Share capital	Capital reserve	Surplus reserve	General reserve	Undistributed profit	Minority shareholders' equity	Total
Balance at term-beginning	6,227,562	15,905,073	4,282,380	6,844,932	17,123,394	50,182	50,433,523
Increase in current term	2,572,598	10,869,631	1,163,073	6,503,993	11,674,808	23,746	32,807,849
Decrease in current term	-	-950,205	-	-	-10,600,453	-	-11,550,658
Balance at term-end	8,800,160	25,824,499	5,445,453	13,348,925	18,197,749	73,928	71,690,714

### 3.7 Interest receivables

(Unit: '000 Yuan)

Item	Balance at term-beginning	Balance at term-end
Interest receivables on-balance sheet	5,073,159	7,005,354
Interest receivables off-balance sheet	842,610	898,555





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## Section IV Report of Board of Directors

### 4.1 Analysis of General Operating Status

#### 4.1.1 Business overview

The year of 2012 has been significantly important for China's development. In 2012, the Party's 18th Congress was successively organized, China's economy was developing steadily and interest rate liberalization made milestone progress. Facing the new situation, all the managers and staff of the Company have been working hard and achieved remarkable results in terms of operation profit, business structure, customer foundation, service quality, risk management, management reform and brand value.

##### **(I) Balanced development of scale and proficiency**

The 2012 objectives were achieved completely, with steadily increased balance sheet and optimized income structure. Despite of the external uncertainties and strict macro control, total corporate assets balance increased by 17% than 2011-end to 1.12 trillion Yuan; total deposits and loans balance was 713.8 billion and 496.7 billion respectively, with a growth of 16% and 22% compared with 2011-end. Total profit was 14.8 billion, with a YOY growth of 30%. Net profit topped 10 billion Yuan for the first time, reaching 11.7 billion, with a YOY growth of 30%.

##### **(II) Continuously optimized business structure**

In 2012, the Bank continued to push forward its strategic transformation and optimized business structure. On credit structure: encouraged credit asset to optimize its structure, where the contribution of SME and micro finance reached 51% of total corporate lending, up by 3 percent, and retail loan contributed 18% of total lending. On deposit structure: total deposits topped 700 billion Yuan, where savings deposit growth reached 21%. On fee business structure, net non-interest income proportion exceeded 10%, where the growth of net fee & commission income was 66%. It has provided a strong support for financial disintermediation, sustainable growth and more scientific income structure.

##### **(III) Outstanding financial brands**

The Bank continued to build its features on "technology finance", "culture finance" and "consumer finance" in 2012: (1) Market share of culture finance in Beijing was more than 50%; "culture & creative loan" was promoted overseas; and received "Annual outstanding unit for culture finance service" (2012) from the Beijing Office of PBOC. (2) Formulated three-year blueprint for technology finance, to ensure the growth of technology related credit is the same or above average credit growth; supported Digital China and Hanvon to realize their leapfrog development; unique product "unsecured lending" was honored as "Top10 outstanding financial products for serving micro and rural clients" (2012) from China Banking Association. (3) Consumer finance disbursed in total 2.2 billion Yuan, with a total balance of 1.9 billion of 42,000 clients.

##### **(IV) Enhanced risk and internal control**

In 2012, the Company further enhanced comprehensive risk management and the overall risk was under control. NPL ratio at year-end was 0.59%, provision coverage reached 420% and provision/total loan ratio reached regulatory requirement of 2.50% ahead of schedule. The Company has: Focused on organization development, pushed forward the "six centralization" of credit operation and consolidated the three-level risk control; Focused on system development, such as inter-bank credit line management, group client credit management and post-credit management system; Focused on

key sectors, by strictly implementing differentiated property credit policy, achieving the requirement of local government platform loans and enhancing risk control on sectors with over-productivity; Focused on reform and development, including kicking off the overall planning of New Capital Accord compliance and relevant training program; and Focused on sound development, by enhancing operational risk management, improving long-distance monitoring of safety management and refining vertical audit structure.

#### **(V) Promoted management reform**

The Company emphasized on the theme of “year of management”, to accelerate reform and motivate the organization. It set up SME business line and Credit Card business line, and established new units including Private Banking, Investment Management, Service Management, Basel Office, Interest Rate Office and Data Management Center. It refined the capital planning and management plan and successfully completed the 11.8 billion private placement. It further pushed forward the business mixed operation, where Bank of Beijing Consumer Finance maintained a high-speed growth, ING-BoB Life Insurance improved its ranking to No.9 among joint venture companies, Nong’an BoB Village Bank was newly set up and all the three village banks are making profit.

#### **(VI) Further raised brand value**

According to “The Bankers” latest Top1000 World Banks list in 2012, Bank of Beijing ranks No.132 in terms of tier1 capital, which improved by 13 positions than 2011. The Company’s brand value reached 10.64 billion Yuan, ranking No.134 according to the World Brand Lab’s 2012 “Top500 Most Valuable Chinese Brands”. Bank of Beijing also received various honors, including “National civilized unit”, “Top10 listed Asian banks” and “Best Retail City Commercial Bank in China” etc.

### 4.1.2 Performance of business lines

#### **(I) Corporate banking**

##### 1. Major achievements

During the reporting term, the Company continued to carry out its marketing management and business mode transformation for corporate banking. As of 2012-end, total corporate RMB deposits balance was 519.6 billion, up by 71.6 billion or 16% compared to 2011-end. Corporate RMB loans balance was 380.9 billion, up by 49.1 billion or 15%; fee income from corporate operation was 1.27 billion.

##### 2. Development measures

(1) Promoted marketing activities of large clients: kicked off group client deposit project, implemented “name-list” marketing of key group clients; organized product promotion for municipal state-owned asset committee related companies, organized launch ceremony of bank-hospital settlement card (“京医通”) and high-end seminar for bond underwriting; won the bid of municipal finance department payroll system and authorized payment license, signed agreement with 273 municipal organizations for “company card” service; increased the number of activated social security cards with financial function to 0.21 million cards in total; and implemented phase2 project of Peking University settlement system.

(2) Greatly enhanced product innovation and cross-selling: focused on the fine management, standardization and risk management of investment banking operation, set up management system, streamlined business and risk management procedures to provide strong support; diversified the scope of investment banking, expanded bond underwriting, and the total volume of non-financial institution financing instrument increased by almost 80%, approaching to 100 million level; launched structured finance business, further enriched financial advisor services, focused on expanding asset channel and sales channel for institutional wealth management.

##### 3. Corporate brand building

During the reporting period, Corporate Bank further strengthened product brand-building and achieved good results: investment banking service received honors including “Best bond underwriting bank”, “Best commercial paper project”, “Best syndicate financing project” and “Best growing investment banking” etc in 2012; supply chain brand was selected as 2012 “China’s best brand-building case”; and cash management service was honored as “2012 Outstanding bank with competitiveness in cash management” and “2012 Best growth bank for cash management” etc.

## Report of Board of Directors

### (II) Retail banking

#### 1. Major achievements

The Bank's retail transformation has achieved remarkable progress. The market share of saving deposit and retail loan continuously grew. As of the end of reporting period, savings deposit balance reached 139.3 billion Yuan, which increased by 24.3 billion Yuan or 21% compared with 2011-end. Total assets of retail customers reached 188.9 billion Yuan, which increased by 43.1 billion Yuan or 30%. Retail loan balance (excluding credit card) was 85.5 billion Yuan, which increased by 21.2 billion Yuan or 33%. Duan dai bao Loan (“短贷宝”) balance was 13.5 billion Yuan, up by 4.3 billion Yuan or 47%. Retail customer number increased by 1.12 million reaching 9.6 million. VIP customer increased by 31%, while qualified and potential private banking customer increased by 40%.

#### 2. Development measures

##### (1) Good progress in channel transformation

Within reporting period, the Bank deeply pushed forward the “Winning in Branch” project, focusing on 3 objectives of “Improve sales, service efficiency and customer satisfaction”, carried out customer segmentation service, and explored management and service mode optimization, where service and business performance at branches improved tremendously. In the meantime, the Bank proactively pushed forward “Winning online” project. In 2012, the Bank newly opened 44 self-service branches and increased POS devices to in total 30,000. It launched on-line appointment for debit card opening service, China UnionPay card-free online payment, and ATM cash withdrawal via deposit certificate, to reduce the over-counter pressure and improve efficiency.

##### (2) Breakthrough in several key bidding projects

The Bank has won the bid for Beijing municipal fiscal salary account business and Beijing Municipal Government Subsidized housing office's public renting housing subsidy agent disbursement project, to support the government subsidized housing development.

##### (3) Innovated retail products and improve customer experience

In 2012, the Bank issued 0.30 million social security cards, and uploaded electronic cash account and contact-free payment function; launched fund monitoring and centralized cash collection services to support regional branches; optimized Wealth Management system functions for flexible set-up of minimum purchase threshold and yield rate of product; and developed new retail loan product – “Sui shi dai” (随时贷) to expand on-line processing channel for retail loan.

##### (4) Achievements in private banking

The Bank set up Private Banking Department in Head Office and 3 private banking centers in Zhongguancun Regional Branch, Shenzhen Regional Branch and Hangzhou Regional Branch. The three-level management and service mode of retail customers has been formed effectively.

#### 3. Retail brand building

Within in reporting period, the Bank's retail brand has been continuously improved. The Bank has won “China's Best City Commercial Retail Bank” by the Asian Banker for the fourth straight year, “Top10 Financial Brand Marketing Activities” from “The Chinese Banker” for its “Wealth-24” product, “Top10 Financial Product Innovations” for the “duan dai bao” retail loan product, and “Annual Best New Private Banking in China” from “China Times” and “Shanghai Securities”.

### (III) SME business

In 2012, the Bank continued to adhere to core strategic positioning of serving SME, actively responded to state's industry and credit policies, attached more priority to SMEs by combining state's strategic requirements on economic structure adjustment and development mode change. The Bank sought for innovations and accelerated transformation to promote rapid and fine development of SME business.

### 1. Major achievements

As end of the reporting period, the Bank's SME RMB loan balance was 190.8 billion Yuan, which increased by 37.9 billion Yuan or 25% compared with 2011-end. SME customer reached 7072, which increased by 2129 or 43%, including micro finance balance at 128.0 billion Yuan, up by 28.3 billion Yuan or 28%, which was 6 percent higher than average loan growth rate. Micro finance customer number reached 6034, which increased by 1946 or 48%.

### 2. Development measures

#### (1) Actively pushed forward mechanism innovation

The Bank set up SME Business Center, SME Approval Center and SME Post-Loan Management Center to emphasize intelligence-intensified management of front, middle and back office of SME so as to improve the independent operation mode; pushed forward regional branches (district offices) to accelerate construction of special SME branch and "credit factory" in Hangzhou and Shanghai; and promoted "SME Client Growth Plan" to improve comprehensive customer service.

#### (2) Continuously enhanced product research and development

The Bank paid attention to product design and cross selling, to satisfy quality SME customer's comprehensive and special needs for financial service and micro enterprise customer's needs for standard products and convenience, and formed cooperation mechanism between head office and regional branch/district office for regional featured product research and development by combining regional features.

#### (3) Well managed risk

We strengthened capability development of back office and middle office. Set up head office level Post-loan Center and enriched the staff team; assisted regional branch/district office in setting up their SME loan approval centers; and enhanced frequency and strength of risk reminding and business risk self-inspection to detect and rectify issues timely.

#### (4) Continuously enhanced policy development

To effectively reduce SME risk and promote development, the Bank enhanced policy development for the entire process of SME business, including sales, marketing, credit review and approval, post-loan management, business management, product operation, etc. With the premise of risk control, we have promoted business units to proactively and rationally develop SME business in compliance.

### 3. SME brand building

Based on concept of "Culture Beijing, High-tech Beijing and Green Beijing", the Bank has continuously built up features of "Culture finance, High-tech finance and Green finance" and paid more attention to micro enterprise business development: (1) Culture finance. The Bank signed strategic cooperation agreement with Beijing State-owned Culture Asset Supervision & Management Office to provide intentional credit line of 10 billion Yuan for supporting developing Beijing as national culture center. The Bank was awarded "Advanced Culture Financial Service Unit in 2012" by Central Branch of PBOC; (2) High-tech finance. The Bank developed "3-year" blueprint to support rapid development of high-tech SMEs; (3) Green finance. The Bank proactively developed green finance and won award of "Best Cooperation Partner of Energy Saving Service Industry Association of China Energy Conservation Association". The featured product – Energy Saving Loan was honored as "2012 Outstanding Green Financial Innovated Product of Contract Energy Management".

Because of its excellent SME service, the Bank has won recognition from regulators and market, including "2012 Advanced Unit of Micro Financial Service Education Month Campaign" from Beijing CBRC, First Prizes of Credit Policy in SME loan category, High-tech Enterprise Loan category, Culture and Creative Loan category and Energy Saving & Emission Reduction Loan category issued by Central Branch of PBOC, award of "Best Financial Institution of G20 Project", award of "2012 SME Service Innovation" in Asian Financial Annual Meeting organized by the 21st Century Newspaper, and award of "Annual Best Small and Medium-sized Bank" and "Best Small and Medium-sized Bank of High-tech Financial Innovation" co-issued by Financial Times and Financial Research Institute of China Academy of Social Science.

## Report of Board of Directors

### (IV) Financial market

In 2012, on the foundation of fund safety and liquidity, with high-yield as its objective, the Bank actively carried out various treasure, FI and international business, leading to good development of financial market business.

#### 1. Major achievements

During the reporting period, while expanding bond investment scale in a proper way, the Bank caught up market opportunity, accelerated optimization of bond asset structure and raised up investment yield. At the end of reporting period, the Bank's RMB & FCY investment balance reached 221.5 billion Yuan, up by 17%; interest income was 8.2 billion Yuan, up by 36%; investment income was 300 billion Yuan, up by 36%. At the end of reporting period, the Bank's FI assets balance reached 254.8 billion Yuan; FI liabilities balance was 300.2 billion Yuan, and FTP profit was 1.9 billion Yuan. It realized international settlement scale of USD 40.8 billion, up by 23%; both balance and daily average of foreign currency deposit increased by 5.5 billion Yuan. Assets custody products were further diversified, including securities investment fund, securities firms asset management plan, insurance fund, trust plan, commercial bank's wealth management product, etc. At the end of reporting period, the asset custody scale reached 195.3 billion Yuan.

#### 2. Development measures

In 2012, the Bank launched a series of wealth management products "Tian tian ying" (天天盈), which became supplementary to the Bank's existing capital-guaranteed products "Tian tian jin" (天天金), providing more options for customers and investors. It also obtained the license of insurance asset custody and launched product of "fund keeper".

### (V) Credit Card

The Bank's credit card business adhered to the operation idea of "being market-oriented and customer-centered", kept innovation and expanding business, resulting in stable growth of performance targets and healthy business development.

#### 1. Major achievements

During the reporting period, the Bank issued 0.28 million credit cards, with the total issuance number of 1.39 million; the number of customer was increased by 0.24 million for the whole year; credit card transaction amount topped 14.8 billion Yuan, up by 31%; FTP profit was 65.43 million Yuan.

#### 2. Development measures

Kept making product innovation: In 2012, the Bank launched 3 new credit card products: the first insurance co-branded product: ING-BoB Life Insurance Co-branded Card, which provides free insurance, premium agent payment and health check discount and service of "Love angel"; "Zun shang" (尊享) Platinum Card with value-added services of insurance, emergency roadside assistance, airport pick-up and health-related service, etc to meet differentiated requirements of high-end customers; and Beijing Tourism Card to provide all-round supporting services for customers who visit Beijing for tourism or business.

Carried out installment business. During the reporting period, the Bank launched new bill installment business based on traditional card installment, in order to further meet differentiated requirements of customers; at the same time, actively developed large-amount fund installment and cash installment to improve cross-sales.

Kept enhancing services. In 2012, the Bank's on-line credit card shop was upgraded with more e-banking functions, real-time loyalty point redemption, on-line installment and ticket ordering, etc, to improve customer experiences.

#### 3. Credit card brand building

In 2012, the Bank launched "Charity card" branding campaign, and successfully organized a series of related charity activities, which reached wide social influences; integrated single currency and dual currency charity card for more convenient customer application and use; added the function of loyalty points based on charity donation to increase activation ratio of the card and active card ratio; held charity card-related featured activity including charity road show, painting exhibition, charity auction, etc, raising fund to help undergraduates with financial difficulties and other people confronted with different setbacks, in such way to deliver the message of "love".

During the reporting period, with quality products and services, the Bank's credit card was awarded "2011 Annual Best Promotion of China-UnionPay Card"; the dual currency Charity Card was honored as "Best Credit Card" in the first "Most Favorite Bank Card Selection" by the jury of 50 million netizens in Guangdong Province under the joint organization of Tencent • Dayue Net and Nanfang Media Group.

#### (VI) Technology & E-banking

In 2012, the Bank continued to strengthen IT construction under the strategy of "developing the Bank through technology". The "ESB Project" received "Best Middleware System Integration Award" in annual "Asian Banker Technology Application Awards"; e-banking received a number of awards including "Best User Experience in Innovation Service", "Best Mobile Banking Award", "Annual Golden Corporate E-banking" and "Best E-banking among Regional Commercial Banks", etc.; with its excellent result in IT security management, the Bank received the honor of "2012 Annual Advanced Unit in IT security Management"; Bank of Beijing's practice of setting three IT centers in Beijing and Xi'an has obtained the honor of "2012 Annual Best Finance Informatization Case among regional commercial banks in China"; the study "Bank of Beijing's Theories and Practice about Information Asset Management based on IT System" has received the third prize of CBRC's "2011-2012 Annual Information Technology Risk Management of Banking Sector"; it was dedicated to develop the mobile banking platform "Jing cai Life" (京彩生活); vigorously expanded on-line banking products and services named "New E-generation" (新e代); set up a sub call center in Xi'an, which realized safe, stable and highly effective operation in Beijing and Xi'an; promoted remote smart teller's machine and telephone banking service "Intelligent Navigation"; well fulfilled the interest rate parameter project in fourth generation of core banking system; successfully completed information system disaster-recovery drill in the three IT centers of Beijing and Xi'an; supported citizens' livelihood projects by actively promoting financial IC card and social security card system with financial settlement functions, as well as bank-hospital connection system, etc.

At the end of reporting period, the Bank's personal e-banking customers topped 2 million users, up by 34%. Its total settlement transaction volume amounted to 9.22 million deals and transaction amount reached 670.8 billion Yuan. Transaction number and amount grew by 92% and 90% averagely every year in the past three years; key personal e-banking products' off-counter substitution ratio reached 83%, which effectively reduced workload of operating offices. Corporate e-banking customers reached 23 thousand users, up by 31%; total settlement transaction volume reached 9.31 million deals and transaction amount was 5.3 trillion Yuan, with growth of 47% and 101% averagely every year in the past three years; and key corporate e-banking products' off-counter substitution ratio was more than 50%.

#### 4.1.3 Analysis on macro economy, financial and policy environment during the reporting term

##### (1) Analysis of macro economy, financial and policy environment

Since 2012, international economy and financial environment has been under severe situation, European sovereign crisis has not come into the end and global economy growth has slowed down a lot. Domestic economy growth faced downward pressure, where Central government adhered to the guiding principle of making progress while ensuring stability, to prioritize stable growth with more importance. The government continued to implement active fiscal policy and sound monetary policy, utilized financial means of interest rate, reserve rate and open market operation to increase liquidity, speed up project approval and structured tax reduce and expanded domestic demand. The economy has been operating in good condition and operation of companies is gradually improving.

In 2012, PBOC has cut the benchmark of deposits and loans for two times, and for the first time adjusted the ceiling limit of floating range of financial institution RMB deposit rate to 1.1 times of benchmark, and the lower limit of floating range of loan rate to 0.7 times of benchmark, indicating a material step for interest rate liberalization. In 2012, PBOC continued its dynamic adjustment policy of differentiated reserve rate to control banking credit growth. Under the dual impact of interest rate deregulation and limited credit quota, net interest income of banks was affected.

In 2012, the special rectification on "non-standard operation" for banking sector was continued, with requirement on "seven prohibition" for lending business and principle of "four openness" for service charge. Fee income growth of banks was

## Report of Board of Directors

therefore affected.

In 2012, CBRC issued “Capital management guidelines of commercial banks (trial)”, which increased requirement on CAR, tightened definition of capital and enlarged the scope of capital coverage for risk. The new policy was implemented on 1 Jan 2013, indicating more pressure on capital management.

### (2) Coping measures

- Improved operation flexibility to adapt to the situation change: arranged asset-liability business in advance to improve profitability; arranged bond investment structure and increased high-yield investment; timely adjusted FTP to support key business.

- Accelerated strategic transformation: enhanced development of fee business, SME and retail operation. In 2012, net non-interest income contributed over 10%, where the proportion of net fee & commission income had a YOY growth of 1.83 percent. As of term-end, SME lending accounted over 50% of total corporate lending. Proportion of retail loans and savings deposits also increased.

- Timely increased capital and CAR: In Q1, the Bank seized favorable opportunities in equity market and successfully completed a private placement of 11.8 billion Yuan. At term-end, the Bank's CAR was 12.90%, up by 0.84 percent than 2011-end; core CAR was 10.90%, up by 1.31 percent.

- Enhanced non-credit business development: to deal with the credit growth quota restriction, the Bank further developed non-credit operation. At term-end, the balance of both inter-bank asset and liability topped 240.0 billion Yuan, which greatly increased profitability.

- Fully intensified risk control: promoted the “six centralization” of credit, developed and improved inter-bank credit management system, group client credit system and post-credit management system, strictly implemented differentiated property credit policy, and achieved the control target on platform loans. The Bank also enhanced control on over productivity sectors, strengthened inspection on steel trade sector and Yangzte River Delta operation, improved operational control and vertical audit management.

- Steadily improved service quality: innovated products, by launching various supply chain and off-balance sheet products. Promoted retail banking and deepened the progress of “Winning in branch” project for better customer experience. Developed featured business in technology finance, culture finance, green finance and rural finance. Expanded service channel, opened up more branches, and tremendously increased customers using e-banking and mobile banking.

## 4.2 Management Discussion & Analysis

### 4.2.1 Analysis of operating business

#### (I) Income Statement analysis

During the reporting term, the company realized total profit 14.8 billion Yuan and net profit attributed to shareholders of parent company 11.7 billion, which had YOY growth of 29.6% and 30.5% respectively. It was mainly because of increase from operating income and effective control on cost expenses.



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(Unit: '000 Yuan)

Item	2012	2011	YOY change %
I. Operating income	27,816,860	20,727,734	34%
Inc: Net interest income	24,622,790	18,771,982	31%
Net fee & commission income	2,672,491	1,612,730	66%
II. Operating expense	13,062,066	9,377,159	39%
Inc: Business & management expense	7,171,039	5,460,843	31%
III. Operating profit	14,754,794	11,350,575	30%
IV. Total profit	14,769,535	11,397,482	30%
V. Net profit	11,683,854	8,945,985	31%
Inc: Net profit attributed to parent company's shareholders	11,674,808	8,946,703	30%

**(II) Information on accounting items with over 30% variation in financial statements**

(Unit: '000 Yuan)

Item	Reporting term	+/-	Main reason
Interest income	53,922,242	42.78%	Interest-bearing asset scale increased, return ratio increased
Interest expense	-29,299,452	54.26%	Interest-bearing liability scale increased, cost ratio increased
Net interest income	24,622,790	31.17%	Interest-bearing asset scale increased
Fee & commission income	2,904,086	62.86%	Income structure optimized, fee & commission income increased
Fee & commission expense	-231,595	35.88%	Fee & commission expense increased
Net fee & commission income	2,672,491	65.71%	Income structure optimized, net fee & commission income increased
Investment gains	357,920	103.01%	Investment gains increased
Fair value variance p/l	-41,461	-	Due to market volatility, fair value variance was positive last year, but negative this year
Exchange gains	93,871	82.28%	Due to market volatility, exchange gains increased
Business tax & surcharges	-1,951,633	31.93%	Business scale increased, business tax increased
Business & administrative expense	-7,171,039	31.32%	Business scale increased, business & administrative expense increased
Asset impairment loss	-3,927,693	61.94%	Took initiative to increase asset impairment reserve
Non-operating income	37,472	-41.16%	Non-operating income reduced
Non-operating expense	-22,731	35.50%	Non-operating expense increased
Minority shareholders' income	9,046	-	Minority shareholders' income was negative last year, but positive this year

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### (III) Operating income

#### 1. Income structure by type of business

During the reporting period, the Company's business income mainly came from interest income and fee & commission income. Total operating income was 57.3 billion, with a YOY growth of 17.5 billion or 34%.

(Unit: '000 Yuan)

Item	Amount	Proportion	YOY increase (%)
Interest income from loans & advances	29,906,233	52.15%	28.16%
Interest income from inter-bank lending	6,371,479	11.11%	236.11%
Interest income from financial assets purchased under resale agreement	3,100,777	5.41%	21.66%
Interest income from due from Central Bank	2,048,796	3.57%	18.21%
Interest income from due from banks	3,978,425	6.94%	76.81%
Interest income from bond investment and other investment	8,516,532	14.85%	41.87%
Fee income	2,904,086	5.06%	62.86%
Other business income	521,579	0.91%	52.05%
Total	57,347,907	100.00%	43.76%

#### 2. Income structure by geographic area

In terms of geographic structure, the operating income mainly came from Beijing. Meanwhile, the contribution from regional branches, including Tianjin and Shanghai, is increasing.

(Unit: '000 Yuan)

Region	Operating income	Total profit	Total assets
Beijing	20,580,074	11,402,264	689,410,049
Tianjin	1,119,749	738,371	50,513,145
Shanghai	1,118,896	273,210	82,205,144
Xi'an	1,400,900	894,202	54,725,566
Shenzhen	842,357	388,282	59,797,066
Zhejiang	1,063,292	344,447	60,384,470
Hunan	633,680	373,617	41,603,460
Nanjing	347,902	83,797	31,565,644
Jinan	394,266	145,335	29,912,636
Nanchang	301,226	125,253	19,652,569
Other areas	14,518	757	199,177
Total	27,816,860	14,769,535	1,119,968,926

### (IV) Net interest income

In 2012, the Company's net interest income was 24.6 billion, with a YOY growth of 5.9 billion or 31%. Its contribution in operating income was 89%, as an important component of the Company's business income. The growth of net interest income was due to increase in interest-bearing asset scale and structure improvement.

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(Unit: '000 Yuan)

Item	2012		2011		YOY +/- (%)
	Balance	%	Balance	%	
Interest income					
- Due from central bank	2,048,796	3.80%	1,733,179	4.59%	18.21%
- Due from other banks	3,978,425	7.38%	2,250,171	5.96%	76.81%
- Inter-bank lending	6,371,479	11.82%	1,895,641	5.02%	236.11%
- Loans & advances granted	29,906,233	55.46%	23,334,893	61.79%	28.16%
Inc: Retail loans & advances	4,830,981	8.96%	3,043,113	8.06%	58.75%
Corporate loans & advances	24,188,761	44.86%	19,753,989	52.31%	22.45%
Bill discounting	745,263	1.38%	456,680	1.21%	63.19%
Import/Export bill documentary	141,228	0.26%	81,111	0.21%	74.12%
- Financial assets purchased under re-sell agreement	3,100,777	5.75%	2,548,683	6.75%	21.66%
- Bonds and other investment	8,516,532	15.79%	6,003,130	15.90%	41.87%
Income sum	53,922,242	100.00%	37,765,697	100.00%	42.78%
Interest expense					
- Due to other banks and financial institutions	10,493,303	35.81%	3,802,498	20.02%	175.96%
- Inter-bank borrowing	549,220	1.87%	625,253	3.29%	-12.16%
- Deposit absorbed	15,017,627	51.26%	11,132,459	58.61%	34.90%
- Financial assets sold under re-purchase agreement	2,285,507	7.80%	2,544,972	13.40%	-10.20%
- Bond payable issued	953,795	3.26%	888,533	4.68%	7.34%
Expense sum	29,299,452	100.00%	18,993,715	100.00%	54.26%
Net interest income	24,622,790	-	18,771,982	-	31.17%

**(V) Net fee & commission income**

During the reporting term, the Company continued to push forward the strategic transformation and optimized income structure. The income sources were more diversified. Net fee & commission income was 2.67 billion, with a YOY growth of 1.06 billion or 66%.

(Unit: '000 Yuan)

Item	2012	2011
Fee & commission income		
Investment banking	877,721	286,261
Inter-bank	256,972	198,956
Financial advisory service	89,202	288,871
Settlement & clearing	443,818	253,137
Bank card	339,484	274,242
Agency services	338,175	158,341
Wealth management	212,458	120,647
L/G & commitment	159,096	63,736
Others	187,160	138,983
Sum	2,904,086	1,783,174
Fee & commission expense	-231,595	-170,444
Net fee & commission income	2,672,491	1,612,730

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### (VI) Business & management expense

During the reporting term, the Company continued to enhance cost control. Business & administrative expense was 7.2 billion, with a YOY growth of 31%, which is 3 percent lower than the growth of operating income. Cost/income ratio was 26% and management efficiency was further improved.

(Unit: '000 Yuan)

Item	2012	2011
Staff cost	2,630,712	2,334,586
- Salary & bonus	1,907,111	1,806,000
- Others	723,601	528,586
Office expenses	2,042,655	1,336,944
Rental expenses	856,956	660,581
Business promotion & development cost	1,190,399	773,082
Fixed asset depreciation	281,056	234,446
Others	169,261	121,204
Total	7,171,039	5,460,843

### 4.2.2 Analysis of Balance Sheet

#### (I) Overview

As of reporting term-end, total assets balance was 1.12 trillion Yuan, up by 163.5 billion or 17% compared with 2011-end. Total liabilities balance was 1.05 trillion, up by 142.2 billion or 16%. Shareholders' equity was 71.7 billion, up by 21.3 billion or 42%.

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	+/- (%)
Total assets	1,119,968,926	956,498,676	17%
Cash and due from central bank	146,923,009	125,984,465	17%
Inter-bank & money market lending	223,477,189	234,154,871	-5%
Net loans & advances	483,445,288	396,076,918	22%
Financial product investment	249,390,004	188,813,836	32%
Total liabilities	1,048,278,212	906,065,153	16%
Deposits	713,772,465	614,241,181	16%
- Corporate deposits	574,065,343	499,025,500	15%
- Savings deposits	139,707,122	115,215,681	21%
Inter-bank & money market borrowing	301,624,964	260,536,284	16%
Bond payable	19,972,253	19,962,173	0%
Total shareholders' equity	71,690,714	50,433,523	42%
Total liabilities & shareholders' equity	1,119,968,926	956,498,676	17%

## Report of Board of Directors

## (II) Information on accounting items with over 30% variation in Balance Sheet

(Unit: '000 Yuan)

Item	2012.12.31	+/- (%)	Main reason
Due from banks	60,889,427	-46.68%	Due from banks reduced
Financial assets for trading	7,040,694	31.34%	Financial assets for trading at term-end increased
Derivative financial assets	30,317	36.41%	Derivative financial assets balance increased
Financial assets purchased under re-sell agreement	88,487,945	280.94%	Financial assets purchased under re-sell agreement scale increased
Interest receivables	7,005,354	38.09%	Interest receivables increased
Investment fund receivables	50,311,210	486.60%	Investment fund receivables increased
Investment properties	345,628	56.82%	Started investment properties
Fixed asset	3,689,440	74.09%	Fixed asset investment increased
Deferred business income tax asset	2,156,534	51.78%	Deferred business income tax asset increased
Other assets	2,134,332	51.76%	Other assets increased
Due to other banks and financial institutions	241,199,743	43.53%	Due to other banks and financial institutions increased
Derivative financial liabilities	32,858	68.19%	Derivative financial liabilities scale increased
Financial assets sold under re-purchase agreement	38,935,985	-45.99%	Financial assets sold under re-purchase agreement scale reduced
Interest payables	7,903,544	35.54%	Interest payables increased
Share capital	8,800,160	41.31%	Completed private placement, share allotment in the term, share capital increased
Capital reserve	25,824,499	62.37%	Completed private placement, share allotment in the term, capital reserve increased
General risk reserve	13,348,925	95.02%	Risk asset increased, general risk reserve was accrued as 1.5% of risk assets
Shareholders' equity attributed to parent company	71,616,786	42.14%	Shareholders' equity attributed to parent company increased
Minority shareholders' equity	73,928	47.32%	Minority shareholders' equity increased

## (III) Major asset items

## 1. Loans

The Company is devoted to serve real economy, to provide constant credit support. As of term-end, corporate lending balance was 406.7 billion, up by 67.8 billion or 20% compared to 2011-end. Balance of SME lending contributed over 50% in total corporate loans. Retail loan balance was 90.0 billion, with a growth of 35%, and contributing 18% to total lending.

(1) Consolidated sector structure of loans as of reporting term-end

Unit: million Yuan

Industry category	Loan balance	% as of total loans
Corporate loans & advances		
– Manufacturing industry	99,623	20.06%
– Real estate industry	58,600	11.80%
– Trading	53,684	10.81%
– Leasing & commercial service	42,344	8.52%

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Industry category	Loan balance	% as of total loans
– Administration of Water Conservancy, Environment and Public Utilities	38,047	7.66%
– Construction industry	27,281	5.49%
– Production & supply of power, gas and water	23,063	4.64%
– Public transportation	20,192	4.07%
– Financial sector	11,243	2.26%
– Computer software industry and telecommunication industry	11,223	2.26%
– Citizen services & other services	5,761	1.16%
– Others	15,685	3.16%
Sub	406,746	81.89%
Retail loan	89,974	18.11%
Total	496,720	100.00%

### (2) Consolidated geographic structure of loans as of reporting term-end

Unit: million Yuan

Region	Loan balance	Proportion
Beijing	288,853	58.15%
Tianjin	27,634	5.56%
Shanghai	45,590	9.18%
Xi'an	31,321	6.31%
Shenzhen	23,754	4.78%
Zhejiang	30,420	6.12%
Hunan	18,299	3.68%
Nanjing	11,221	2.26%
Jinan	11,800	2.38%
Nanchang	7,727	1.56%
Others	101	0.02%
Total	496,720	100.00%

### (3) Consolidated guarantee structure of loans as of reporting term-end

Unit: million Yuan

Guarantee manners	Loan balance	Proportion
Unsecured loans	115,940	23.34%
Guaranteed loans	182,918	35.82%
Collateralized loans	158,702	31.95%
Pledged loans	28,936	5.83%
Discounting	10,224	2.06%
Total	496,720	100%

## 2. Financial assets purchased under re-sell agreement

In 2012, the Company put more efforts in developing inter-bank development. As of term-end, balance of financial assets purchased under re-sell agreement was 88.5 billion, up by 65.3 billion or 281% compared to 2011-end.

## Report of Board of Directors

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31
Bond		
- Gov bond	346,550	400,000
- PBOC notes	220,020	3,140,110
- Policy bank bond	2,502,090	1,721,070
- Other financial institutions' bond	4,044,500	500,000
- Corporate bond	1,925,465	1,574,260
Bills	79,226,170	13,548,572
Loans	300,000	2,430,000
Sub	88,564,795	23,314,012
Minus: impairment reserve	-76,850	-85,370
Net value	88,487,945	23,228,642

**3. Financial assets available-for-sale**

The Company increased investment on AFS business. As of term-end, total balance was 95.0 billion, up by 8.7 billion or 10% compared to 2011-end.

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31
Government bond	17,015,328	10,686,580
PBOC notes	12,207,787	18,622,558
Policy bank bonds	51,358,756	42,324,550
Other financial institutions' bond	4,932,490	4,509,333
Corporate bonds	9,468,694	10,160,480
Total	94,983,055	86,303,501

**4. Investment held-for-maturity**

In 2012, the Bank appropriately increased the scale of HTM investment, to gain stable interest income. As of term-end, balance was 97.1 billion, up by 8.5 billion or 10% compared to 2011-end.

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31
Government bond	60,808,140	55,751,689
Policy bank bonds	23,649,376	22,595,261
Other financial institutions' bond	4,650,000	1,851,804
Corporate bonds	7,947,529	8,374,210
Total	97,055,045	88,572,964

**(IV) Major liability items****1. Deposits**

As of term-end, total corporate deposits balance was 713.8 billion, up by 99.5 billion or 16% compared to 2011-end. It includes current deposit balance 344.5 billion, contributing 48% of total deposits. Savings deposits balance was 139.7 billion.

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(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	+/- (%)
Current corporate deposits	308,329,198	268,662,843	14.76%
Current savings deposits	36,128,671	29,552,742	22.25%
Fixed corporate deposits	224,978,975	197,894,676	13.69%
Fixed savings deposits	103,578,451	85,662,939	20.91%
Guarantee deposits	40,757,170	32,467,981	25.53%
Total	713,772,465	614,241,181	16.20%

### 2. Due to other banks and financial institutions

During 2012, the Company accelerated financial institution operation, implemented “double increase” project to absorb FI funds. As of term-end, total deposits balance of other banks and financial institutions was 241.2 billion, up by 73.2 billion or 44% than 2011-end.

(Unit: '000 Yuan)

Item	2012.12.31	2011.12.31	+/- (%)
Current deposits from domestic banks	8,023,195	11,637,180	-31%
Fixed deposits from domestic banks	173,437,408	124,312,513	40%
Current deposits from domestic non-bank financial institutions	8,512,858	3,805,725	124%
Fixed deposits from domestic non-bank financial institutions	51,226,282	28,288,450	81%
Total	241,199,743	168,043,868	44%

### 4.2.3 Core competitiveness analysis

**Advantages of value creation:** the Bank adhered to profit oriented value and worked hard on business innovation and management reform. In the past several years, the Bank has always maintained its leading position on cost control and profit per capita among public banks. The Bank also kept distributing dividend to its shareholders, which fulfilled its commitment to investors.

**Advantages of management efficiency:** the Bank adopted various innovation and reform to improve its fine management, and built a lean organization, smooth procedure, complete policies and efficient IT system. Meanwhile, the Bank also enhanced its “warship” corporate culture, improved execution capacity of managers and staff, and effectively converted the efficiency to profit.

**Advantages of featured business:** the Bank has built its unique advantages in “technology finance”, “culture finance”, “green finance” and “consumer finance”. It set up the first consumer finance company and one of the first pilot insurance joint ventures in China. The business mixed operation and featured brand will further support the Bank’s leapfrog and diversified growth.

**Advantages of risk control:** the Bank adheres to its sound and prudential risk appetite, and effectively enhanced its risk prevention, internal control and compliance. The Bank has also improved its capital supplement and adequately withdrawn asset impairment provision.

**Advantages of brand:** the Bank always focused on customers, and took various measures to improve its service quality and featured business. The highly recognized brand and reputation has further facilitated the Bank’s market development and product promotion.



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## 4.2.4 Financial instruments measured in fair value

**(1) Internal control policies on fair value measurement**

The Bank formulated policies including “Guidelines on fair value management for treasury”, stipulating daily fair value measurement and defining adoption principle and procedure for evaluation method including market quotation, deal price and model evaluation etc. The Bank also set up sound fair value decision-making procedure, where Risk Management evaluates the position and consults business departments regarding data source, model and outcome. The fair value result at key reporting time shall receive consensus from business departments, signed off by business departments and Risk Management, then passed to financial/accounting department for accounting treatment.

**(2) Fair value calculation basis and policies**

The Bank’s fair value calculation strictly follows relevant accounting standards of Ministry of Finance and the Bank’s “Guidelines on treasury’s fair value management”.

**(3) Items related to fair value measurement**

(Unit: ‘000 Yuan)

Item	Balance at term beginning	Current fair value change p/l	Aggregated fair value change booked into equity	Impairment withdrawn in the term	Balance at term-end
Financial assets					
Financial assets for trading	5,382,853	-28,139	0	0	7,071,011
Financial asset AFS	86,303,501	0	-1,073,325	-2,512	94,983,055
Total financial assets	91,686,354	-28,139	-1,073,325	-2,512	102,054,066
Financial liabilities					
Derivative financial liabilities	-19,536	-13,322	0	0	-32,858
Others	0	0	0	0	0
Total financial liabilities	-19,536	-13,322	0	0	-32,858

## 4.2.5 Financial assets and liabilities held in FCY

**(1) Risk management policy on FCY financial assets**

The Bank formulated “Credit risk management procedures for bond investment and trading (trial)”, stipulating types of bonds allowed, rating requirements, credit facility management and portfolio management for FCY bonds. The “Market risk management policy on investment & trading book (trial)” stipulated types of forex trading position and FCY derivative trading business permitted. Meanwhile, the Bank formulated market risk limit for FCY trading book, where business departments must strictly control the exposure within the limit. In addition, there is clear requirement regarding the identification, measurement and control for exchange rate risk of forex assets stipulated in “Exchange rate risk management procedure”. The Bank adopts same risk management policies and procedures for FCY credit assets as RMB credit assets, and set up sound management on credit facility application, approval and post management. On FCY inter-bank assets, the Bank set up “Credit facility guidelines for financial institutions (trial)” and “Monitoring guidelines on the utilization of credit facility (trial)”, where FCY financial institution assets are management into the comprehensive credit facility for financial institutions, and set up sound quota application, approval, measurement and monitoring process.

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## (2) FCY financial assets and liabilities held

(Unit: '000 Yuan)

Item	Balance at term beginning	Current fair value change p/l	Aggregated fair value change booked into equity	Impairment withdrawn in the term	Balance at term-end
Financial assets					
1. Financial assets measured in fair value and whose change booked into current p/l	2,960	-2,960	0	0	0
Incl: derivative	2,960	-2,960	0	0	0
2. Loans & receivables	0	0	0	0	0
3. AFS financial assets	962,186	0	-1,633	2,512	6,992
4. HTM investment	358,815	0	0	0	0
Sub-total of financial assets	1,323,961	2,960	-1,633	2,512	6,992
Financial liabilities	-1,630	1,630	0	0	0

## 4.2.6 Equity investment

## (I) Overall investment of affiliates

(Unit: '000 Yuan)

<b>Investment during reporting term</b>	<b>115,300</b>
Investment of last year same period	145,000
Change of investment amount	-29,700
Change of investment amount (%)	-20.48%

## (II) Major invested companies

(Unit: '000 Yuan)

Item	Initial investment	Holding at term-end	Shareholding % of the company	Book value at term-end	p/l of reporting term	Shareholders' equity change in reporting term	a/c item	Reason of share change
China UnionPay Holding Co., Ltd.	23,500	37,500,000	1.82%	48,750	-	-	Long term equity investment	-
ING-BoB Life Insurance Co., Ltd.	681,800	875,000,000	50%	982,169	-6,746	24,473	Long term equity investment	Capital increase
Bank of Langfang Co., Ltd.	127,500	164,205,000	19.99%	322,703	5,997	1,357	Long term equity investment	-

Note:

- The figures do not include subsidiaries that already included in the consolidated report.
- The change of owners' equity in reporting term is the impact on BoB from the change of the capital reserve of the invested companies, excluding p/l change or capital increase impact in current year;
- Bank of Langfang and ING-BoB Life Insurance adopts Equity Method, while China UnionPay adopts Cost Method for settlement.

## (III) Analysis of major subsidiaries

## 1. Bank of Beijing Consumer Finance Company

As of 31 Dec 2012, the Bank holds investment of 300.00 million on Bank of Beijing Consumer Finance. The subsidiary has registered capital 300.00 million, which is 100% from the Bank. As the first non-bank financial institution set up in China, to provide guarantee-free financing service to domestic citizens, BoB Consumer Finance provides lending services for durable consuming goods and general purpose use. As of term-end, the Consumer Finance has been in good operation conditions.

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### 2. ING-BoB Life Insurance Co., Ltd.

As of 31 Dec 2012, the registered capital of ING-BoB Life Insurance is 1.75 billion, where the Bank holds 50%. The joint venture is devoted to provide various life insurance products to individuals, households, companies and organizations, to meet their guarantee and wealth management demand. As of term-end, the joint venture has been in good operation conditions.

### 3. Beijing Yanqing Village Bank Co., Ltd.

On 25 Nov 2008, the Bank initiated the establishment of Beijing Yanqing Village Bank, together with other sponsors. As of 31 Dec 2012, the village bank has registered capital 30.00 million, where the Bank holds 33.33%. As of term-end, the village bank has been in good operation conditions.

### 4. Zhejiang Wencheng BoB Village Bank Co., Ltd.

On 21 Apr 2011, the Bank initiated the establishment of Zhejiang Wencheng BoB Village Bank with other investors. As of 31 Dec 2012, the village bank has registered capital of 50.00 million, where the Bank holds 40%. As of term-end, the village bank has been in good operation conditions.

### 5. Nong'an BoB Village Bank Co., Ltd.

On 6 Jan 2012, the Bank initiated the establishment of Nong'an BoB Village Bank with other investors. As of 31 Dec 2012, the village bank has registered capital of 30.00 million, where the Bank holds 51%. As of term-end, the village bank has been in good operation conditions.

### 6. Bank of Langfang Co., Ltd.

As of 31 Dec 2012, the Bank holds 164.21 million shares of Bank of Langfang, with 19.99% shareholding. Since the establishment, Bank of Langfang has been moving steadily on its business development.

## **(IV) Use of proceeds raised**

During the reporting term, based on the resolution of AGM, the Company raised 11.8 billion Yuan from its private placement, all of which, after deducting issuing expense, have been used to increase the core capital. As of reporting term-end, the proceeds of private placement have been used as committed in the prospectus with good result.

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### 4.3 Analysis of banking Business

#### 4.3.1 Basic information of branch institutions

Branch name	Number of institutions	Address	Headcounts	Total assets (million Yuan)	
Beijing	168	Ground floor, No.Jia-17, Financial Street, Xicheng District, Beijing	5767	687,627	
Tianjin	13	No.21 Chengde Rd, Heping District, Tianjin	358	50,513	
Shanghai	11	No.16 Henan Rd, Huangpu District, Shanghai (1/F, 5/F, 6/F & basement)	398	82,205	
Xi'an	7	No.116 Heping Rd, Beilin District, Xi'an	311	54,726	
Shenzhen	8	Fuchun Orient Plaza No.7006 Shennan Rd, Futian District, Shenzhen (1/F, 2/F, 11/F & 17/F)	295	59,797	
Zhejiang	10	Tower C, Fanhai Int'l Center, No.2 Xiangzhang Street, Jianggan District, Hangzhou	348	60,041	
Hunan	6	New Times Square, No.163 Furong Zhong Rd Section1, Kaifu District, Changsha	269	41,603	
Nanjing	4	No.289 Jiangdong Zhong Rd, Jianye District, Nanjing	167	31,566	
Jinan	4	No.21398 Jingshi Rd, Shizhong District, Jinan	218	29,913	
Nanchang	3	No.190 Yangming Rd, Donghu District, Nanchang	123	19,653	
Hong Kong Representative Office	1	FLAT/RM 5601, 56/F, THE CENTER, 99 QUEEN'S ROAD, CENTRAL, HK	3	-	
Amsterdam Representative Office	1	Amstelveenseweg 500, 1081 KL, Amsterdam, the Netherlands.	2	-	
<b>Total</b>	<b>236</b>		<b>-</b>	<b>8259</b>	<b>1,117,644</b>

Note:

- The above listed institutions refer to those who started official business operation by 31 Dec 2012, including the Central Branch but excluding village banks.
- All the addresses above are as of the business licenses, except for rep offices.

#### 4.3.2 Loan asset quality

##### (1) Loan five-tier classification

Unit: million Yuan

	2012-12-31		2011-12-31		Change in current term (+, -)	Reason
	Balance	%	Balance	%		
Normal	479,058	96.92	390,893	96.54	88,165	Loan balance increased
Special mentioned	12,232	2.48	11,853	2.93	379	Some loans downgraded
Sub-standard	1,609	0.33	462	0.12	1,147	Some loans downgraded
Doubtful	199	0.04	172	0.04	27	Some loans downgraded
Loss	1,135	0.23	1,501	0.37	-366	Loans recovered & charged off
<b>Total</b>	<b>494,234</b>	<b>100.00</b>	<b>404,881</b>	<b>100.00</b>	<b>89,353</b>	<b>-</b>

Note: bank figures, not Group.

During the reporting term, the Bank's NPL balance was 2.94 billion, up by 809 million than 2011-end; NPL ratio was 0.60%, up by 0.07 percent.

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## (2) Restructured loans and Overdue loans

Unit: million Yuan

Item	Term-beginning balance	Term-end balance	Change in current term (+, -)	%	Cause
Restructured loans ①	518	496	-22	0.10%	Loan collection & charge-off
Overdue loans ②	1,964	2,761	798	0.56%	New overdue

Note:

- ① Reconstructed loan refers to adjustment on original lending clauses, which includes extending loan term, re-finance and transfer, due to deterioration of the borrower's financial condition or failure in repayment on time;
- ② Overdue loan refers to the principal amount of a loan, of which the principle becomes overdue, excluding loans of which interests become overdue while principles not. For the loans with installment repayment, as long as the loan becomes overdue, the un-overdue principle part is also categorized into overdue loans.

At the end of the reporting term, the Bank's NPL balance in restructured loans was 281.06 million Yuan.

## 4.3.3 Loan impairment provision withdrawal and charge-off

## (1) Basis and methodology for loan impairment provision

The Bank's accrual provision for assets impairment is done in two methods: individual evaluation and asset portfolio evaluation. Accrual impairment provision of corporate NPLs and advances is done through individual evaluation method; Accrual impairment provision of Normal and Special-mentioned corporate loans as well as retail loans is done through asset portfolio evaluation method. The Bank accrues 100% impairment provision for corporate loans in Loss category.

## (2) Consolidated loan loss provision changes during reporting period

At reporting term-end, the balance for credit asset provision accrued was 13.2 billion Yuan. Changes of provision as follows:

Unit: million Yuan

<b>Balance at term-beginning</b>	<b>9,523</b>
Accrual in current term	3,938
Charge-off in current term	191
Recovered & charged-off in current term	2
Discounted interest of impairment provision released in current term	-30
Exchange rate change and other adjustment	-3
<b>Balance at term-end</b>	<b>13,239</b>

## 4.3.4 Measures taken for NPL

During the reporting term, the Bank has taken the following measures to optimize the Bank's asset structure and asset quality:

- (1) Focused on risk control and quality management and implemented more prudential credit policy, to improve new business quality and reduce systematic risk and credit portfolio risk;
- (2) Paid attention to macro economy analysis, continued to monitor the risk in sensitive sectors, over-productivity sector and key loans, intensified market exit of high risk projects, and effectively prevented new risk;
- (3) Continued the progress on three-level risk structure, improved vertical management of head office, regional and sub-branch and horizontal management of front, mid and back office, promoted bank-wide risk culture and enhanced risk prevention awareness;
- (4) Optimized post-credit policies, established comprehensive post-loan management framework, and detailed policies for corporate, retail and inter-bank credit, to fully cover post-credit risk;

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(5) Closely watched macro economy control policies, accurately analyzed the potential impact, constantly monitored the credit rating, financial conditions and repayment of credit clients, urged business units to monitor credit quality, and timely warned potential risk factors, for comprehensive monitoring and early warning on post-credit risk;

(6) Strictly monitored risks from regions, sectors and few risk incidents, and urged business units to take active measures to digest risks, in order to minimize the loss;

(7) Took prudential approach on risk classification to fully disclose risk, enhanced provision accrual to ensure sufficient coverage and risk resistance capacity;

(8) Issued timely early warning and stepped into risk management in advance, to reduce new NPL balance; intensified disposal of bad assets, took legal procedures to control the key assets of companies, and explored law enforcement from law courts, to improve cash collection on key projects and existing NPL cases.

### 4.3.5 Top10 borrowers

Unit: million Yuan

Name	Balance at term-end	Proportion of total loans
Dagong (Shanghai) Computer Co., Ltd.	7738.41	1.57%
Beijing Land Coordination & Reserve Center	4050.00	0.82%
Beijing Public Transportation Holding (Group) Ltd.	3477.50	0.70%
Chaoyang Sub-center of Beijing Land Coordination & Reserve Center	3290.00	0.67%
China Guodian Corporation	3000.00	0.61%
Beijing North Star Company Limited	1900.00	0.38%
Beijing Gonglian Highway Connect Line Co., Ltd.	1832.00	0.37%
Shaanxi Coal and Chemical Industry Group Co., Ltd	1800.00	0.36%
China Gold Group	1700.00	0.34%
Shunyi Sub-center of Beijing Land Coordination & Reserve Center	1699.00	0.34%
Total	30486.91	6.17%

Note: all FCY converted to RMB.

### 4.3.6 Information of discount-interest loans accounting for more than 20% (inclusive) of total loans balance at the end of the reporting period

During the reporting period, the Bank had no such business.

### 4.3.7 Main loan types, monthly average balance and annual average loan interest rate

Unit: million Yuan

Type of loans	Monthly average balance	Annual average interest rate
Corporate loans	Short-term loans <1y	196,891
	Mid-/long-term loans	168,234
Retail loans	Short-term loans <1y	9,898
	Mid-/long-term loans	64,247
Discounting and trans-discounting	10,804	5.67%

Note: all figures as converted to RMB.

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## 4.3.8 Main deposit types, monthly average balance and annual average interest rate

Unit: million Yuan

Type of deposits	Monthly average balance	Annual average interest rate
Retail current savings deposits	31,597	0.84%
Retail fixed savings deposits	96,656	3.74%
Corporate current deposits	292,693	0.64%
Corporate fixed deposits	259,202	3.66%

Note: all figures as converted to RMB.

## 4.3.9 Financial bonds held at term-end

## (I) Structure of bonds held at the end of the reporting term

Unit: million Yuan

Types of bonds	Amount (book value)
Policy-based financial bonds	76,004
Financial bonds of commercial banks	9,404
Financial bonds of financial companies	0
Others	5,123
Total	90,531

## (II) Large T- bonds held by the Bank at the end of the reporting period

Unit: million Yuan

Type of financial bonds	Par value	Annual interest rate	Maturity date
Y2001 T-bond	100	Fixed: 3.85%-4.26%	2021-7-31 to 2021-10-23
Y2002 T-bond	180	Fixed: 2.60%-2.90%	2017-9-20 to 2032-5-24
Y2003 T-bond	400	Fixed: 2.80%-4.18%	2013-4-9 to 2018-10-24
Y2005 T-bond	490	Fixed: 3.65%	2020-11-15
Y2006 T-bond	900	Fixed: 2.51%-3.70%	2013-2-27 to 2026-6-26
Y2007 T-bond	8,691	Fixed: 2.93%-4.69%	2014-2-6 to 2037-5-17
Y2008 T-bond	6,508	Fixed: 1.77%-6.34%	2013-3-1 to 2038-10-23
Y2009 T-bond	7,435	Fixed: 2.26%-4.30%	2014-3-16 to 2059-11-30
Y2010 T-bond	14,245	Fixed: 2.23%-4.60%	2013-3-1 to 2060-11-18
Y2011 T-bond	23,040	Fixed: 2.82%-6.15%	2014-3-1 to 2061-11-10
Y2012 T-bond	16,792	Fixed: 2.74%-6.15%	2013-1-12 to 2062-11-15
Total	78,781	-	-

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### (III) Large financial bonds held by the Bank at the end of the reporting period

Unit: million Yuan

Type of T-bonds	Par value	Annual interest rate	Maturity date
Y2001 financial bond	310	Fixed: 4.23%-4.52%	2021-11-5 to 2032-1-12
Y2003 financial bond	2,160	Floating: CNY1Y+0.49%-1.05%; Fixed: 2.77%-2.87%	2013-3-31 to 2013-11-13
Y2004 financial bond	860	Floating: CNY1Y+0.76%-1.3%; Fixed: 3.51%	2014-2-25 to 2014-4-16
Y2005 financial bond	3,329	Floating: CNY1Y+0.37%-0.72%; Fixed: 1.10%-4.67%	2015-4-27 to 2037-11-26
Y2006 financial bond	6,460	Floating: CNY1Y+0.47%-2.00%; Fixed: 3.01%-5.05%	2013-6-26 to 2026-4-11
Y2007 financial bond	10,013	Floating: CNY1Y+0.35%-0.89%; Fixed: 3.82%-4.94%	2013-1-10 to 2017-10-25
Y2008 financial bond	4,140	Floating: CNY1Y+0.49%-0.76%; Fixed: 3.10%-6.20%	2013-1-15 to 2018-12-26
Y2009 financial bond	10,500	Floating: CNY1Y+0.54%-1.65%; S3M_5A+0.25%-0.30%; Fixed: 3.28%-5.30%	2014-7-30 to 2029-11-4
Y2010 financial bond	5,980	Floating: CNY1Y+0.33%-0.59%; S3M_10A+0.05%-0.08%; Fixed: 2.70%-4.80%	2013-8-12 to 2020-12-23
Y2011 financial bond	23,118	Floating: CNY1Y+0.42%-0.91%; S3M_5A-0.15%- -0.10%; Fixed: 3.60%-5.70%	2013-4-27 to 2026-9-26
Y2012 financial bond	24,340	Floating: CNY1Y+0.45%-1.40%; S3M_5A+0.05%; Fixed: 3.37%-5.68%	2013-12-20 to 2022-9-25
Total	91,210	-	-

### (IV) Derivative financial instruments held by the Bank at the end of the reporting period

Unit: million Yuan

Types	Fair value		
	Nominal principle	Assets	Liabilities
Currency forward	3,438.46	6.02	3.23
Currency swap	1,222.47	2.27	17.15
Interest rate swap	4,240.00	22.02	12.48
Early redemption right	0	0	0
Total	8,900.93	30.31	32.86

#### 4.3.10 Interest receivables and bad debt provision for other receivables

##### (1) Interest receivables of the Bank at the end of the reporting period

Unit: million Yuan

Item	Term-beginning balance	Increase in current term	Collection in current term	Term-end balance	Loss reserve
On-balance sheet interest receivables	5,073	53,992	51,990	7,005	0
Off-balance sheet interest receivables	843	119	63	899	0



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(2) Other receivables at reporting term-end

Unit: million Yuan

Type	Term-beginning balance	Increase in current term	Change in current period
Other receivables	465	909	444
Bad debt provision	348	345	-3

## 4.3.11 Offset assets

At the end of reporting period, the original value of the Bank's offset asset was 449 million Yuan, with accrued offset asset impairment provision of 313 million Yuan. The net value was 136 million Yuan.

Unit: million Yuan

Type	Balance at term-beginning	Balance at term-end	Accrual impairment
Premises & buildings	56.67	56.67	29.15
Certificate of rights	265.19	265.19	203.10
Others	127.45	127.36	80.56
Total	449.31	449.22	312.81

## 4.3.12 Overdue outstanding debt

The Bank has no overdue outstanding debt during the report period.

## 4.3.13 Development and profit of entrusted wealth management, asset securitization, agent services and custody etc during the reporting period

## 1. Development and profit of entrusted wealth management

In 2012, the Bank in total issued 439.46 billion Yuan wealth management, including personal products of 158.06 billion and institutional products of 281.39 billion. Total balance of wealth management was 124.10 billion, with a YOY growth of 89.56%; retail balance was 48.99 billion, with YOY growth of 58.37%; institutional balance was 75.12 billion, with a YOY growth of 117.50%; principle-guaranteed balance was 54.93 billion, with a YOY growth of 18.72%, non-principle guaranteed balance was 69.18 billion, with a YOY growth of 258.86%. Fee income from wealth management was 212 million, with a YOY growth of 76%.

## 2. Development and profit of asset securitization

During the reporting term, the Bank has completed its preparation for asset securitization, and submitted to Beijing CBRC for approval. By carrying out asset securitization, the Bank made more credit available for SME and micro finance, improved financial services and products to better support their development.

## 3. Development and profit of agent business

During the reporting term, the Bank had a total transaction volume of agent bond settlement 200.13 billion Yuan, which brought in fee income was 6.28 million Yuan. The Bank's agent gold service developed well. There are 8133 registered clients for agent precious metal trading, with total transaction volume of 2.77 billion Yuan and aggregated fee income 2.45 million Yuan. Total sales volume of physical precious metal products was 37.73 million Yuan, with fee income 1.49 million Yuan.

## 4. Development and profit of custody

The Bank's asset custody developed rapidly in 2012. As of term-end, total assets balance under custody was 195.3 billion, with a YOY growth of 460%. Custody fee income was 81.35 million, with a YOY growth of 138%. The Bank accelerated

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its innovation on custody products and services, and worked hard to build a comprehensive one-stop service platform. The Bank launched new product “custody house” (保管家) and diversified its product range covering securities investment fund, specific asset management plan for fund companies, targeted/collective asset management plan for securities firms, insurance funds, trust plan, commercial banks’ wealth management and equity investment funds etc.

### 4.3.14 Information of off-balance sheet project balance with potential major impact on financial condition and business performance

Unit: million Yuan

Off-balance sheet items	2012.12.31	2011.12.31
Credit commitment	143,483	102,293
L/C issued	2,713	2,734
L/G issued	27,592	21,128
Bank acceptance	81,945	49,926
Unused credit card facility	47,278	10,728
Refinance acceptance	3,034	17,777
Operating leasing commitment	2,749	1,650
Assets pledged	57,110	90,355
Equity-based commitment	1,763	179
Agreement signed but not paid	1,263	112
Approved but not signed	500	67
Securities underwriting commitment	43,314	14,289
Commercial paper, mid term note and private instruments	43,314	14,289

### 4.3.15 Main risks and corresponding countermeasures

#### (I) Credit risk profile and management measures

The Bank’s credit risks come from loan portfolio, investment portfolio, guarantee and other payment commitment.

During the reporting term, the Company adhered to the principle of providing financial services for real economy. Under the guidelines of “making progress while maintaining stability”, the Company analyzed macro economy, industry trends and impact of macro policy on credit clients, and timely adjusted regional, sector and product credit policy and management on existing loans; implemented the head office – regional – sub-branch vertical management and front-middle-back office horizontal management, and took various measures to enhance loan management. The asset quality maintained relatively stable.

During the reporting term, the Company followed the credit structure adjustment requirement of “supporting some while reducing some” and “structure optimization”, provided its new loan support to real economy, with key focus on micro companies, rural related, energy efficiency, strategic emerging sector, affordable housing and state important infrastructure development etc; strictly controlled lending to high energy consumption, high pollution and over productivity sectors; increased proportion of SME and retail loans, to continue to improve its credit structure.

During the reporting term, the Bank optimized its post-credit management policies, detailed administrative rules on corporate, retail and financial institution lending, urged business units to monitor the credit rating, financial conditions and repayment of credit clients, and implemented risk early-warning and mitigation measures. The Company strictly monitored regions, sectors and risk caused by some particular risk incidents, urged business units to take measures to resolve risk that happened or might happen. It actively enhanced credit risk management for local government financing platform, steel

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trade, properties and over productivity sectors; achieved target of “reducing existing and control new loans” for platform loans; carried out property loan stress test on a quarterly basis, implemented total volume control and prudential approval, which ensured the overall good quality of property loans.

During the reporting term, the Bank actively pushed forward the improvement of three-layer risk management structure, defined management responsibilities of regional risk function, and enhanced their centralization of credit operation.

At the end of reporting term, credit risk exposure of the Bank was as follows:

Unit: million Yuan

Item	2012.12.31	2011.12.31
Due from banks	60,889	114,193
Due from central bank	143,568	123,302
Inter-bank lending	74,100	96,733
Financial assets for trading	7,041	5,361
Derivative financial assets	30	22
Financial assets purchased under resell agreement	88,488	23,229
Loans and advanced granted	483,445	396,077
Financial assets available-for-sale	94,983	86,304
Financial assets held-to-maturity	97,055	88,573
Investment receivables	50,311	8,577
Interest receivables	7,005	5,073
Other financial assets	575	128
Sub-total	1,107,491	947,571
L/C issued	2,713	2,734
L/G issued	27,592	21,128
Bank acceptance	81,945	49,926
Loans and other credit commitment	47,278	10,728
Re-finance acceptance	3,034	17,776
Sub-total	162,562	102,292
Total	1,270,053	1,049,863

## (II) Liquidity risk profile and management measures

Liquidity risk refers to the risk that cannot meet customers' demand of withdrawal due liabilities and new loans, reasonable financing etc, or cannot meet the demand at normal cost. It requires commercial banks to keep certain current asset or ensure smooth financing channels.

The Bank set up liquidity risk governance structure composed by the Board's Risk Management Committee, senior management and Asset-liability Committee (ALCO), responsible for formulating liquidity risk management strategy and setting up internal control mechanism, to support the implementation and supervision of the strategy. Based on the governance structure, set up liquidity risk management organization composed by President, Finance, Risk Management, Financial Market, Corporate Banking and Retail Banking.

The Bank's liquidity risk measurement adopts liquidity indicators and liquidity gap calculation method, and the latter one includes measurement under normal conditions and liquidity crisis conditions. The Bank uses regular stress test and Ad hoc special stress test to analyze its capacity to withhold liquidity incident or crisis. To deal with liquidity, the Bank enhanced limit management and monitoring; formulated targeted contingent plan for different liquidity incident and crisis, set up

## Report of Board of Directors

liquidity contingent leading team, established and monitored internal and external early warning indicators and triggers, as well as trigger mechanism based on early-warning indicator; set up liquidity risk reporting mechanism, having Finance and Risk Management to submit reports to senior management and the Board regularly on liquidity risk profile, liquidity stress test and contingent plan.

The Bank actively uses technical measures to improve asset-liability management system's application level, uses the system to have real-time monitoring on liquidity indicators and exposure, to form automatic liquidity risk measurement and regular monitoring mechanism. Also, the Bank organizes its asset-liability business based on liquidity gap, uses FTP to actively and proactively adjust tenor structure. The Bank kept improving its liquidity management manners, enhanced and improved policy formulation, timely adjusted policy, to put an appropriately liquidity level.

In 2012, central government continued its active fiscal policy and stable monetary policy. Under the background of a slowing down economy growth and improving CPI, PBOC cut deposit reserve rate for two times by 0.5 percent each, carried out flexible open market dual-direction operation, cut benchmark rate for two times, explored the reverse-cyclical adjustment of reserve dynamic adjustment mechanism, and promoted a reasonable growth of credit and a rational liquidity level. In order to adapt to the above changes, the Company further strengthened its asset-liability management and improve liquidity management:

- (1) Appropriately adjusted FTP to support key biz. At year-beginning, we set FTP in favor of liabilities, to promote deposit growth and protect liquidity; since Q2, along with loosened market liquidity, we adjusted FTP to asset business, to increase credit and profit;
- (2) Reinforced study & research, paid close attention to market development, and made early arrangement of asset/liability operation, to protect liquidity and improve profit;
- (3) Reasonably arranged bond investment structure, maintained appropriate level of high liquidity asset reserve, and increased certain high return investment, to ensure liquidity and profit;
- (4) Worked on key business liquidity management: enhanced deposit stabilization and growth; enhanced financial institution operation balance and tenor management, set up liquidity gap limit and dynamically monitored the change of gap for timely adjustment, in order to control liquidity risk of financial institution operation. By taking the above mentioned measures, the Company managed to control its liquidity gap while maintaining a good profit.

During the reporting period, the Bank's asset and liability business had a stable and healthy development, with good liquidity. Liquidity related indicators are as follows:

Major regulatory indicators	Standard	2012.12.31	2011.12.31	2010.12.31
Liquidity ratio (%)	≥25%	37.57%	33.64%	37.71%
Loan/deposit ratio (%)	≤75%	68.19%	64.41%	58.22%

Consolidated liquidity exposure at term-end (excluding derivative financial instruments):

Unit: million Yuan

	Immediate repayment	<1m	1-3m	3m-1y	1-5y	>5y	Overdue	Total
Liquidity exposure	-215,088	-151,946	-8,598	162,993	195,152	224,310	738	207,561

### (III) Market risk profile and management measures

Market risk refers to the risk where the Bank's on/off-balance sheet business suffers loss due to negative changes of change price. The Banks mainly faces interest rate risk and exchange rate risk.

The Bank's Asset-Liability Committee (ALCO) is responsible for overall market risk management, including reviewing market risk management strategy, policy and procedures, ensuring the Bank's market risk appetite and tolerable market risk level, urging relevant departments to take necessary measures to identify, measure, monitor and controlling market risk, and regularly obtaining reports on market risk nature and profile; monitoring and evaluating the comprehensiveness and effectiveness of market risk management and the management team's performance on market risk management.

**Interest rate risk of bank book**

Cash flow interest rate risk refers to the risk of future cash flow volatility of financial instruments due to market rate changes. Interest rate risk of cash flow refers to the volatility risk of future cash flow of financial instrument caused by market interest rate change. Interest rate risk of fair value refers to the volatility risk of a certain financial instrument's value caused by market interest rate change. The Bank's interest rate risk exposure faces risk of fair value and cash flow interest rate caused by market major interest rate change.

Because of market interest rate volatility, the Bank's margin might increase, might reduce or even has loss, due to unpredictable changes. The Bank mainly operates business in mainland China, abiding by central bank's interest rate system. The Bank regularly measures its interest rate sensitivity gap, evaluates IR risk undertaken via gap analysis, and further measures impact of IR change on net interest income and corporate value under different IR level. Meanwhile, the Bank closely tracked market IR trend, reasonably adjusted the re-pricing tenor structure of interest-bearing asset and liability, aligning with fund sources and use, to reduce potential negative impact on profitability.

In 2012, PBOC has cut the benchmark rate for deposits/loans for two times, adjusted the upper limit of floating range of financial institution RMB deposit rate to 1.1 times of benchmark, and the lower limit of floating range of deposit rate to 0.7 times of benchmark. The reform of interest rate liberalization has made a material step, bringing more difficulties to interest rate management. The Bank has actively enhanced its IR risk management, pushed forward business structure adjustment, optimized customer structure and profit structure, to cope with the challenges:

- (1) Enhanced research and analysis to cope with interest rate risk timely. At early 2012, the Bank anticipated the downturn of IR, adjusted relevant pricing tactics, increased the loan disbursement of fixed interest or low interest rate adjustment, to minimize the negative impact of interest cut;
- (2) Improved interest rate management structure, set up IR Office under Finance headquarters, to be responsible for the interest rate deregulation; established IR Steering Committee at head office level, responsible for approving bank-wide interest rate management policy and key pricing plan;
- (3) Enhanced policy development, formulated "Bank of Beijing RMB customer deposit/loan interest rate guiding principles (trial)", "Implementation rules of RMB corporate deposit/loan interest pricing (trial)", "Implementation rules of RMB SME deposit/loan interest pricing (trial)" and "Implementation rules of RMB retail deposit/loan interest pricing (trial)" etc, to regulate interest rate pricing management;
- (4) Promoted system development, launched the IR pricing module ahead of schedule, to realize flexible system support.

As end of reporting-term, the consolidated interest rate sensitivity gap is:

Unit: million Yuan

	<1m	1-3m	3m-1y	1-5y	>5y	Non interest-bearing	Total
IR sensitivity gap	-2,020	-40,039	22,839	10,195	71,013	2,536	64,524

**Exchange rate risk of bankbook**

The Bank's exchange rate risks mainly come from the currency mismatch of asset and liability from proprietary business and agent business for clients, as well as currency position mismatch from foreign currency trade. The Bank faces exchange rate risk from loans, deposits, securities and other financial derivative instruments priced non-RM currency. In 2012, PBOC continued to improve RMB exchange mechanism, where the inter-bank spot forex market RMB/USD exchange floating range enlarged from 0.05% to 1%. To manage the risk, the Bank tries its best to match each currency, sets up currency exposure limit, control the exposure size, and regularly monitors the exposure and timely adjust the currency structure.

## Report of Board of Directors

### **(IV) Operational risk**

During the reporting period, the Bank's operational risk management (ORM) mainly focused on the improvement of the following aspects: (1) Improved organization structure and established "network" operational risk management framework. In 2012, the Bank continued to enhance "everyone's involved" ORM, and further optimized three-level management structure. First, based on the foundation of Operational Risk Committee (ORC) in business lines and regional branches, we set up ORC at district office level, clarified their responsibilities and working mechanism, and guided them to organize quarterly ORC meeting. Second, guided business line ORCs to formulate work plan, and assigned specific staff to be present in their meetings, in order to evaluate their work; (2) Enhanced meeting mechanism and fully explored the decision-making of head office ORC, of which the meetings are organized quarterly, covering overall ORM report, special ORM reports by business lines, regional branches and district offices, and discussion on current key topics, to make decisions; (3) Improved inspection supervision, to ensure the proper implementation. We carried out quarterly monitoring and inspections on ORM reports, meeting convening of ORC and implementation of ORM inspections, as well as assessment and evaluation. Meanwhile, according to regulatory requirement and the Bank's arrangement, we organized various studies and inspections and arranged different priorities in different stages; (4) Improved assessment mechanism and emphasized liability accountability. According to economic capital management guidelines, we project quarterly economic capital for operational risk at regional and district level. Carried out assessment scoring on their performance, to further regulate their ORM; (5) Further enhanced training and ORM team-building. We provided various training programs on ORM to senior managers, ORM officers at regional/district level and ORM staff at sub-branch, in terms of ORM mechanism and tools. Organized bank-wide ORM questionnaire, to timely understand the operational risk status and further convey the ORM awareness and culture.

### **(V) Information security risk profile and management measures**

In 2012, the Bank's information security risk management has followed the risk strategy set by the Board and regulatory guidelines for further improvement.

1. Risk Management and IT department has cooperated on the "consulting project for IT risk", with the scope of IT headquarters, credit card center, risk management headquarters and audit department. The project has helped us improve IT risk management framework, identified responsibilities of the three defense lines, and established standard IT risk evaluation and key risk indicator framework. The following results have been achieved via the project: (1) set up a standard IT risk evaluation framework, based on common standard, state and sector regulatory requirement and risk-oriented principle, covering major IT risks; (2) established a tangible IT risk monitoring indicator system, where IT risk is enabled to be visualized, controlled and audited; (3) proposed adjustment objectives for IT risk organization.

With reference of CBRC's "IT risk guidelines for commercial banks" and the Bank's IT risk management practice, the Bank's IT risk is divided into eight aspects: IT governance, IT risk management, information security, system development/test, IT operation & maintenance, BCP, IT outsourcing and IT audit. We have set up IT risk management methods and procedures including risk identification, risk classification and measurement, risk mitigation and disposal, risk motioning and risk reporting.

2. Continued to push forward BCP management. The IT Department has taken the lead in 2012 with full bank's involvement in the IT disaster recovery drill. The drill was aimed at the target of taking over real production. There were 22 head office business management departments, Beijing district/regional offices, 9 regional branches, 160 sub-branches in Beijing, 53 sub-branches out of Beijing and various IT suppliers participated in the drill, with almost total headcount of 2000 persons. The Bank's IT disaster recovery framework was established and validated effectively in the drill.

We have continued to organize drill on improvement IT systems for BCP, where the business lines have carried out the drill in Nov 2012, and will continue to amend its BCP according to issues identified.

## 4.4 Prospect of the Company's Future Development

### 4.4.1 Analysis of future operating environment

#### 1. Outlook on macro economy

In 2013, both domestic and international economy and financial situation will remain complicated. From international view, the global recovery is still fragile and uncertain, there is an increasing trend of local trade protection and China's export growth will face more pressure; from domestic view, the growth of China's economy might slow down, and the lack of balance and sustainability from long-term high-speed growth will deepen. With more challenges on export growth, the major drives for economy growth will be urbanization, boosting domestic demand and increasing consumption. The engine for economy will shift from export and investment to consumption and investment. Monetary credit will increase appropriately, with more and more contribution from non-credit financing.

#### 2. Change of macro economy policies

China's economy is facing new opportunities from expanding domestic demand, improving innovation capacity and promoting economy development pattern; banks need to cope with both challenges and opportunities from deepening financial reform, accelerating financial innovation, interest rate de-regulation and exchange rate pattern; regulatory framework is gradually improved and tightened. On 1 Jan 2013, "Capital management guidelines of commercial banks (trial)" issued by CBRC was implemented. Capital efficiency will become the important component for banking competitiveness.

#### 3. Sector development trend

First is the increasing need from real entity economy transformation. With urbanization speeding up, credit consumption is more and more popular, along with high-tech companies and cultural companies prospering. In the meantime, fiscal expense gradually shifts to people's livelihood and city transportation, resulting in an increasing financial need from affordable housing construction and city light railway transportation construction. Second is the increasing operation pressure. In 2013, banks' interest-bearing assets will grow steadily and interest spread will be further narrowed, leading to a slight decrease of operation income; expense growth speed will increase, posing pressure for a decrease in profit growth. In the meantime, with the increasing challenge of economic growth slow-down, interest rate deregulation, financial disintermediation, and declining funding cost, there will be more management pressure on credit risk, market risk and operational risk. Third is the intensifying peer competition. Commercial banks will have fierce competition in terms of customer, products, channel and system; in the meantime, non-bank financial institutions, such as securities, insurance and fund companies are also trying to seize the banking financial service sector, which further ignites the competition in banking industry.

### 4.4.2 Measures for the Company's development

Faced with opportunities and challenges brought by the change in environment and policy, under the urgency of transformation, the overall goal of Bank of Beijing in 2013 is, based at the theme of "capital, risk, transformation and innovation", target at serving real economy, people's livelihood, financial demand from enhancing consumption and stick to featured development. The Bank will promote new business, which is beneficial for structure optimization, of low capital consumption and can promote the Bank's business development and competitive edge and promote the comprehensive profit. According to interest rate deregulation, the Bank will deepen management mechanism and operation mechanism reform, reinforce talent development, IT system and management policy structure and constantly improve its soft power. While accomplishing the targets of 2013, it will continue to explore a featured developing that is competitive and sustainable.

In 2013, the Bank will continue promoting "the year of management and service", focus on profit to constantly promote profitability and comprehensive competitiveness; reinforce capital efficiency, enhancing the policy support for transformation business and innovative business. The Bank will make the following endeavors.

## Report of Board of Directors

(1) Continue to enhance innovating force. Set up a “greater R&D” framework, to explore comprehensive product, intelligent channel and refined procedures. Cater to the requirement from internet financial era, enhance innovation on remote banking, smart banking and online funding business, constantly promote the hi-tech element in products and services and improve customer experiences.

(2) Speed up strategic transformation. Constantly promote refined marketing skills, study industry segmentation, explore independent business unit for sector segment and enhance innovation in the model and product of featured industries and business. Innovate micro credit product and review mechanism, enhance cash management and “duan dai bao” as our featured brands to meet the multi-level financial need of SME and micro customers. Enhance investment and support on retail business, reinforce assets management function and consumer credit function, promote private banking systemic service and increase the retail comprehensive contribution.

(3) Strengthen comprehensive risk management. Take the opportunity of New Capital Accord implementation, improve the comprehensive risk management system and risk early warning mechanism. Actively carry out regulatory requirements, reinforce internal control, internal audit, enhance front-line staff compliance awareness and liability awareness, build a solid risk bottom line. Enhance control on off-balance sheet business, work on business streamlining and information disclosure and build a “firewall” of off-balance sheet business risk.

(4) Enhance IT support and HR investment. Reinforce IT system capacity, stick to the customer-orientation, push forward process reconstruction and optimization and promote operation security. Conduct differentiated HR allocation, enhance team development of managers. In the meantime, recruit talents from market to reserve professional, research-type, management type and multi-leveled talents.

(5) Steadily speed up mixed business operation. Reinforce joint marketing and innovation between HO and consumer finance, insurance and village banks to make full use of the synergy. Set up Investment Management Department to nurture the function of mixed business management, enhance strategic guidance, risk segregation and business synergy of subsidiaries. In the meantime, actively explore the areas of assets management, financial leasing, etc to speed up mixed business progress.

### 4.4.3 Operating plan for the new year

For 2013, the Company estimates a net profit growth over 10%, total assets growth over 14%, total deposits balance growth over 15%, and total loans balance growth over 17%, while NPL ratio under 1%.

### 4.4.4 Potential risk

In 2H of 2012, China’s economy has been more stabilized for recovery. However, there are still outstanding issues on the lack of balance, coordination and sustainability. In addition, there is also big uncertainty of the recovery in US and European economy. Affected by the change of economy growth pattern, industrial structure adjustment and over productivity in some sectors, plus the increasing operation cost of companies, credit risk in some regions sectors and clients increased. Our key focus for risk management is still in systematical financial risks of local government financing platform, property sector, over-productivity sectors, export-oriented companies and mutual guaranteed business etc.

## 4.5 Auditing Opinions Issued by Certified Public Accountants

The Bank’s Y2012 financial statements have been audited by Pricewaterhouse Zhongtian Certified Public Accountants, signed by registered CPA David Wu and Jiao Nan and issued standard unqualified auditor’s report.



## 4.6 Profit Distribution Plan

### 4.6.1 Formulation of profit distribution policies

During the reporting term, the Bank amended profit distribution clauses in the Articles of Association, which was reviewed and approved by the Board. The new version further emphasized the return to shareholders, clarified dividend standard and ratio, and improved decision-making on profit distribution matters. The Bank set clear stipulation in the AOA that: the Bank can distribute share dividend via cash and/or share. If condition allows, then a mid-term profit distribution can also be carried out. On the premise that CAR is ensured to meet regulatory standard, the profit realized by the Bank in each year can be distributed via cash dividend, in case there is still profit available after covering loss by laws, withdrawing surplus reserve and making general reserves. Profit distributed via cash should not be lower than 10% of distributable profit attributed to parent company realized in that current year.

The Company's profit distribution policy complies with AOA and procedures reviewed, maintained consistency and stability, considered with the overall interest of all the shareholders and the Company's sustainable development. Cash dividend has considered factors of the Company's operating sector, development stage, profitability and capital requirement, and investors' requirement of sharing the Company's growth, development result and receiving reasonable return etc. All the Independent Directors have provided clear comments on the profit distribution policy and protected the lawful rights of small/medium-sized shareholders.

### 4.6.2 Implementation of profit distribution policies

#### **(I) Profit distribution plan or pre-plan of recent three years (including reporting term)**

##### 1. Y2012 profit distribution pre-plan

Pricewaterhouse Zhongtian Certified Public Accountants engaged by the Company has issued standard unqualified auditor's report. The Bank's 2012 audited after-tax profit is 11.63 billion Yuan. The pre-plan of Y2012 profit distribution is:

- (1) Withdraw 10% of 2012 audited net profit as statutory surplus reserve, which is 1.16 billion Yuan;
- (2) According to "Guidelines of provision accrual of financial companies" (Cai jin [2012] No.20), withdraw general risk reserve 6.50 billion Yuan;
- (3) Based on the number of total share capital at 2012-end as 8.80 billion shares, every 10 shares will receive cash dividend 4 Yuan (including tax), in total 3.52 billion Yuan (including tax).

After the execution of distribution plan, the undistributed profit will be preserved for future distribution.

##### 2. Y2011 profit distribution plan

For 2011, based on the number of total shares as 7.33 billion shares, every 10 shares will receive cash dividend 2 Yuan (including tax) and 2 convertible shares, in total distributing 2.93 billion Yuan.

##### 3. Y2010 profit distribution plan

For 2011, based on the number of total shares as 6.23 billion shares, every 10 shares will receive cash dividend 2.16 Yuan (including tax), in total distributing 1.34 billion Yuan.

## Report of Board of Directors

### (II) Cash dividend distributed in recent three years

Year	Dividend per share (Yuan)	Total share capital (billion shares)	Total cash dividend (0.1 billion)	Net profit of dividend year (0.1 billion)	Cash dividend ratio (ratio) (%)
2012	0.40	88.00	35.20	116.31	30.26
2011	0.20	73.33	14.67	89.55	16.38
2010	0.216	62.28	13.45	68.07	19.76

## 4.7 Fulfillment of Social Responsibility

Bank of Beijing always carries its mission and responsibility to create value for customers, create return for shareholders, create future for staff and create fortune for the society. In 2012, the Bank's total size reached 1.12 trillion Yuan, annual net profit of 11.7 billion and profit per capita over 1.40 million Yuan. It has become the listed bank with best profitability per capital and outstanding management efficiency. While seeking for its own growth, the Bank always put in mind of its social responsibility as a corporate citizen.

Bank of Beijing follows state macro policy to provide service to micro companies, SME clients and citizens, and has built unique brand in technology finance, culture finance, consumer finance and people's finance. The Bank provided in total 100 million micro lending to over 4000 technology companies in Zhongguancun Tech Zone, to build the "Silicon Valley Bank of China"; invested almost 50 billion funds to support more than 700 culture & creative companies, with market share in Beijing over 50%; the lending balance of Bank of Beijing Consumer Finance has reached 1.9 billion with more than 40 thousand customers, supporting mass consumption; the Bank activated "BoB-hospital connection" project, to serve patients not covered by social security or non-Beijing residency.

In 2012, the Bank made its donation in total 18.00 million Yuan. After the "7.21" natural disaster of Beijing, the Bank immediately donated one million to Fangshan District authority and granted 500 million loan, to support the after-disaster construction. It also donated one million to Hongwei Primary School in Nong'an county and one million to Haiyan County, Haibei Tibetan Autonomous Prefecture for education. The Bank's Charity Credit Card has issued over 0.68 million cards, which raised 2.15 million Yuan donations that were used to help students in poverty or disease.

## Section V Significant Matters

### 5.1 Significant Litigation and Arbitration

During the reporting period, there were no litigation or arbitration proceedings that might have significant impact on the operation of the Bank.

As of 31 Dec 2012, there were in total 58 unfinished litigations or arbitrations where the Bank acted as the plaintiff and of which every single subject value under dispute amounted to more than 10.00 million Yuan, with a total amount of about 1.76 billion Yuan. There were in total 5 unfinished litigations or arbitrations where the Bank acted as the defendant and of which every single principle value under dispute amounted to more than 10.00 million Yuan, with a total amount of about 98.49 million Yuan. The Bank has booked the expected loss that might be caused by unfinished litigations where the Bank acted as the defendant into the balance sheet as anticipated liabilities.

### 5.2 Employment & Repayment of Non-operation Funds by Controlling Shareholders or Affiliated Parties

Applicable  Not applicable

### 5.3. Bankruptcy restructuring during reporting term

Applicable  Not applicable

### 5.4 Acquisitions & Sale of Assets and Merges & Acquisitions

During the reporting period, the Bank had no any acquisition & sale of assets and merge & acquisition.

### 5.5 Implementation of Share Incentive Scheme

Applicable  Not applicable

### 5.6 Significant Related-party Transactions

All of the related-party transactions were generated from normal operation activities; the conditions and interest rates of such transactions complied with general stipulations of the Bank's business management and regulators, and were not preferential to those transactions for other common borrowers or counterparts.

Significant related-party transactions during the reporting term are as follows:

#### 5.6.1 Loans

Loans above 30.00 mln (inclusive) with related-party during the reporting term:

## Significant Matters

(Unit: '000 Yuan)

Client	2012-end	2011-end	+/- during the reporting period
Beijing State-owned Assets Management Co., Ltd.	850,000	550,000	300,000
Beijing Huayuan Real Estate Co., Ltd	586,610	983,680	-397,070
China Hi-Tech Group Corporation	950,000	1,000,000	-50,000
China Textile Machinery (Group) Co., Ltd	800,000	800,000	0
UFIDA Software Co., Ltd	200,000	220,000	-20,000
Beijing Energy Investment Holding Co., Ltd	1,500,000	300,000	1,200,000
Sum	4,886,610	3,853,680	1,032,930

### 5.6.2 Other business with related-parties

1. During the reporting term, ING Bank N.V. provided trade re-finance acceptance for the Bank. There was still USD 9.01 million in the duration at the term-end, equivalent to 56.15 million Yuan.

2. During the reporting term, the Bank issued inter-bank lending 200 million and 650 million to Bank of Beijing Consumer Finance and Jiangsu Financial Leasing Co., Ltd. respectively. At term-end, un-matured balance was 110 million and 500 million respectively.

3. During the reporting term, the Bank underwrote bonds for Beijing State-owned Assets Management Co., Ltd. (1.5 billion), China Hi-tech Group Corporation (0.4 billion) and Beijing Energy Investment Holding Co., Ltd. (1.6 billion), and gained 13.97 million income. During 2010-2011, the Bank underwrote bonds for Beijing State-owned Assets Management Co., Ltd, China Hi-tech Group Corporation, Beijing Energy Investment Holding Co., Ltd and Beijing Jingneng Int'l Energy Co., Ltd, and gained 9.30 million Yuan income in the current term.

4. During the reporting term, the Bank sold insurance products for ING-BoB Life Insurance and total received premium of 255 million on their behalf, where the Bank gained fee income of 23.93 million.

5. At term-end, the Bank held 150 million Yuan bonds of Beijing State-owned Assets Management Co., Ltd and 43.50 million Yuan corporate bond of Beijing Energy Investment Holding Co., Ltd.

## 5.7 Significant Contracts and Their Fulfillment

None.

## 5.8 Performance of Commitments by Shareholders During the Reporting Period

Committing party	Commitment	Day of commitment	Valid till	Result
1. HAWTAI Automobile Group	Participate in the Bank's private placement, and the shares should not be transferred within 36 months upon the completion day of the private placement	2012-03-28	2012-03-26 to 2015-03-26	Under fulfillment
2. CITIC Securities Co., Ltd.				
3. Taikang Life Insurance Co., Ltd.				
4. State Development & Investment Corp.				
5. SDIC Capital Holdings Co., Ltd.				
6. China Hi-tech Group corporation				
7. South Industry Assets Management Co., Ltd.				
8. Huaneng Capital Services Co., Ltd.				
9. Xi'an Kaiyuan International Investment Co., Ltd.				

## 5.9 Appointment and Dismissal of Accounting Firms

### 5.9.1 Appointment and dismissal of accounting firm for annual financial statements

During the reporting period, the Bank continued to engage PricewaterhouseCoopers Zhongtian Certified Public Accountants to serve as the auditing institution on the Bank's annual report prepared under China Accounting Standards. The Bank has paid PricewaterhouseCoopers Zhongtian Certified Public Accountants the expenses on annual financial auditing in total 4.80 million Yuan.

PricewaterhouseCoopers Zhongtian Certified Public Accountants has been offering the Bank with auditing services for 10 years since 2003.

### 5.9.2 Appointment and dismissal of accounting firm, financial consultant or sponsor for internal control audit

During the reporting term the Bank has followed "Basic code of company's internal control" and "Guidelines on internal control audit of the company" to engage PWC Zhongtian CPA for its internal control audit, and paid off total audit cost 1.30 million Yuan.

During the reporting term, the Bank completed its 11.8 billion Yuan private placement, and engaged CITIC Securities as the sponsor following "PRC Securities Law" and "Securities issuing guidelines of listed companies". Relevant information was disclosed on 28 Mar 2012 at the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## 5.10 Investigation of China Securities Regulatory Commission (CSRC), Administrative Punishment or Public Criticism from CSRC or Public Reprimand by Stock Changes That were Imposed on the Bank, the Board of Directors and Board Members

None.

## 5.11 Index of the Bank's Information Disclosure During the Reporting Period

No.	Name	Type	Announcement date	Disclosed media	Published website
1	Announcement of Bank of Beijing on Profit Distribution	Interim Announcement	Jan 5, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
2	Announcement of Bank of Beijing on Obtaining Approval of Opening BoB Nong'an Village Bank	Interim Announcement	Jan 10, 2012	As above	As above
3	Announcement of Bank of Beijing on Obtaining Approval of A Share Private Placement from China Security Regulatory Commission	Issuance and Listed Announcement	Jan 31, 2012	As above	As above
4	Announcement of Bank of Beijing on Suspension of Stock Trading for Significant Matters	Interim Announcement	Feb 29, 2012	As above	As above
5	Suggestive Announcement of Bank of Beijing on Achieving Initial Strategic Cooperation Intention between BoB Consumer Finance Co., Ltd and Santander Consumer Finance Co., Ltd	Interim Announcement	Mar 7, 2012	As above	As above

## Significant Matters

No.	Name	Type	Announcement date	Disclosed media	Published website
6	Announcement of Bank of Beijing on Result of Private Placement Issuance and Change of Equities	Interim Announcement	Mar 28, 2012	As above	As above
7	Announcement of Bank of Beijing on Signing Regulatory Agreement about Special Account for Raised Fund	Interim Announcement	Mar 28, 2012	As above	As above
8	Report of Bank of Beijing's Private Placement to Specified Objects	Others	Mar 28, 2012	-	As above
9	Announcement on Resolution of Bank of Beijing's 14th Meeting of the 4th Board of Directors	Interim Announcement	Mar 30, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
10	Bank of Beijing 2012 Annual Internal Control Regulation Implementation Work Plan	Corporate Governance	Mar 30, 2012	-	As above
11	Announcement on Resolutions of Bank of Beijing's 15th Meeting of the 4th Board of Directors	Interim Announcement	Apr 24, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
12	Announcement on Resolutions of Bank of Beijing's 12th Meeting of the 4th Board of Supervisors	Interim Announcement	Apr 24, 2012	As above	As above
13	Bank of Beijing 2011 Annual Report	Regular Report	Apr 24, 2012	-	As above
14	Bank of Beijing 2011 Annual Report Summary	Regular Report	Apr 24, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
15	Bank of Beijing Q1 Report	Regular Report	Apr 24, 2012	As above	As above
16	2011 Annual Work Report of Bank of Beijing's Independent Directors	Others	Apr 24, 2012	-	As above
17	Bank of Beijing Management Policies on Information Insiders	Interim Announcement	Apr 24, 2012	-	As above
18	Bank of Beijing's Report on 2011 Annual Internal Control Self-Assessment	Corporate Governance	Apr 24, 2012	--	As above
19	Bank of Beijing 2011 Social Responsibility Report	Corporate Governance	Apr 24, 2012	-	As above
20	Announcement on Related-party Transactions between Bank of Beijing and Beijing Energy Investment (Group) Co., Ltd	Interim Announcement	Apr 24, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
21	Announcement on Related-party Transactions between Bank of Beijing and ING Bank N.V.	Documents of Shareholders' Meeting	Apr 24, 2012	As above	As above
22	Announcement on Related-party Transactions between Bank of Beijing and Beijing State-owned Assets Management Co., Ltd	Interim Announcement	Apr 24, 2012	As above	As above
23	Notice of Bank of Beijing on Convening Y2011 Shareholders' Annual General Meeting	Interim Announcement	Apr 24, 2012	As above	As above
24	Documents of Bank of Beijing Y2011 Shareholders' Annual General Meeting	Documents of Shareholders' Meeting	May 25, 2012	-	As above

## Significant Matters

No.	Name	Type	Announcement date	Disclosed media	Published website
25	Announcement of Resolutions of Bank of Beijing Y2011 Shareholders' Annual General Meeting	Interim Announcement	May 31, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
26	Letter of Legal Opinion of Bank of Beijing Y2011 Shareholders' Annual General Meeting	Others	May 31, 2012	-	As above
27	Announcement on Related-party Transactions between Bank of Beijing and Jiangsu Financial Leasing Co., Ltd	Interim Announcement	May 31, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
28	Announcement of Bank of Beijing Y2011 Annual Profit Distribution	Interim Announcement	Jul 5, 2012	As above	As above
29	Announcement on Resolutions of Bank of Beijing 18th Meeting of the 4th Board of Directors	Interim Announcement	Jul 17, 2012	As above	As above
30	Announcement on Resolutions of Bank of Beijing 19th Meeting of the 4th Board of Directors	Interim Announcement	Aug 7, 2012	As above	As above
31	Announcement on Related-party Transactions between Bank of Beijing and Beijing State-owned Assets Management Co., Ltd	Interim Announcement	Aug 7, 2012	As above	As above
32	Bank of Beijing Semi-year Report	Regular Report	Aug 29, 2012	-	As above
33	Bank of Beijing Semi-year Report Summary	Regular Report	Aug 29, 2012	"China Securities", "Shanghai Securities News", "Securities Times", "Securities Daily"	As above
34	Announcement on Related-party Transactions between Bank of Beijing and China Hi-tech Group Co., Ltd	Interim Announcement	Aug 29, 2012	As above	As above
35	Announcement on Resolutions of Bank of Beijing 20th Meeting of the 4th Board of Directors	Interim Announcement	Aug 29, 2012	As above	As above
36	Announcement of Bank of Beijing on Obtaining Qualification of Insurance Fund Custody	Interim Announcement	Sep 28, 2012	As above	As above
37	Announcement of Bank of Beijing on Obtaining Approval of Financial Bonds Issuance from China Banking Regulatory Commission	Interim Announcement	Oct 9, 2012	As above	As above
38	Bank of Beijing Q3 Report	Interim Announcement	Oct 31, 2012	As above	As above
39	Announcement on Resolutions of Bank of Beijing 21st Meeting of the 4th Board of Directors	Interim Announcement	Oct 31, 2012	As above	As above
40	Announcement on Related-party Transactions between Bank of Beijing and Beijing Huayuan Real Estate Co., Ltd	Interim Announcement	Oct 31, 2012	As above	As above
41	Announcement of Bank of Beijing's Fulfillment of Shareholders, Related parties and Corporate Commitment Matters	Interim Announcement	Nov 6, 2012	As above	As above
42	Announcement of Bank of Beijing on Obtaining Approval of Financial Bonds Issuance from People's Bank of China	Interim Announcement	Dec 25, 2012	As above	As above





## Section VI Changes in Share Capital and Status of Shareholders

### 6.1 Changes in Shares

#### 6.1.1 Changes in the Bank's shares during the reporting period:

(Unit: share)

	Before change		Increase / decrease (+, -)				After change	
	Number of shares	%	New shares issued	Bonus share	Conversion from public reserves	Subtotal	Number of shares	%
I. Shares subject to trading restriction								
1. State holding shares	0	0	0	0	0	0	0	0
2. State legal entity holding shares	0	0	262,417,993	52,483,599	0	314,901,592	314,901,592	3.58%
3. Other domestic holding shares	0	0	843,486,408	168,697,282	0	1,012,183,690	1,012,183,690	11.50%
Inc:								
Domestic legal entity holding	0	0	843,486,408	168,697,282	0	1,012,183,690	1,012,183,690	11.50%
Domestic natural person holding	0	0	0	0	0	0	0	0
4. Foreign holding	0	0	0	0	0	0	0	0
Inc:								
Foreign legal entity holding	0	0	0	0	0	0	0	0
Foreign natural person holding	0	0	0	0	0	0	0	0
Sum shares subject to trading restriction	0	0	1,105,904,401	221,180,881	0	1,327,085,282	1,327,085,282	15.08%
II. Shares not subject to trading restriction								
1. RMB ordinary shares	6,227,561,881	100%	0	1,245,512,376	0	1,245,512,376	7,473,074,257	84.92%
2. Domestically listed foreign shares	0	0	0	0	0	0	0	0
3. Oversea listed foreign shares	0	0	0	0	0	0	0	0
4. Others	0	0	0	0	0	0	0	0
Sum shares not subject to trading restriction	6,227,561,881	100%	0	1,245,512,376	0	1,245,512,376	7,473,074,257	84.92%
III. Total shares	6,227,561,881	100%	1,105,904,401	1,466,693,257	0	2,572,597,658	8,800,159,539	100.00%

## Changes in Share Capital and Status of Shareholders

### 6.1.2 Changes in shares subject to trading restrictions

(Unit: share)

Shareholder	Number of shares subject to trading restriction at year beginning	Number of shares released from restriction in current year	Number of shares subject to trading restriction increased in current year	Number of shares subject to trading restriction at year-end	Reason of trading restriction	Date of restriction release
HAWTAI Automobile Group	0	0	393,626,991	393,626,991	Private placement	2015.3.26
CITIC Securities Co., Ltd.	0	0	337,394,563	337,394,563	Private placement	2015.3.26
Taikang Life Insurance Co., Ltd.- participation –individual –019L – FH002 SH	0	0	146,989,709	146,989,709	Private placement	2015.3.26
State Development & Investment Corp.	0	0	89,971,883	89,971,883	Private placement	2015.3.26
South Industry Assets Management Co., Ltd.	0	0	56,232,428	56,232,428	Private placement	2015.3.26
Liqin Investment Co., Ltd.	0	0	56,232,427	56,232,427	Private placement	2015.3.26
Huaneng Capital Services Co., Ltd.	0	0	56,232,427	56,232,427	Private placement	2015.3.26
China Hi-tech Group corporation	0	0	56,232,427	56,232,427	Private placement	2015.3.26
Xi'an Kaiyuan International Investment Co., Ltd.	0	0	56,232,427	56,232,427	Private placement	2015.3.26
Taikang Life Insurance Co., Ltd.- universal –individual policy	0	0	45,012,000	45,012,000	Private placement	2015.3.26
Taikang Life Insurance Co., Ltd.- traditional –ordinary insurance policy –019L –CT001 SH	0	0	26,688,000	26,688,000	Private placement	2015.3.26
Taikang Life Insurance Co., Ltd.- participation –group –019L – FH001 SH	0	0	6,072,000	6,072,000	Private placement	2015.3.26
Taikang Life Insurance Co., Ltd.- universal –group	0	0	168,000	168,000	Private placement	2015.3.26
Total	0	0	1,327,085,282	1,327,085,282	-	-

## 6.2 Stock Issuance and Listing

### 6.2.1 Issuance of securities in recent three years as of reporting term

On 28 Mar 2012, the Bank completed its private placement, with issuing targets as HAWTAI Automobile Group, CITIC Securities Co., Ltd., Taikang Life Insurance Co., Ltd., State Development & Investment Corp., SDIC Capital Holdings Co., Ltd., China Hi-tech Group corporation, South Industry Assets Management Co., Ltd., Huaneng Capital Services Co., Ltd., Liqin Investment Co., Ltd. and Xi'an Kaiyuan International Investment Co., Ltd. The issuing price is 10.67 Yuan/share, total issuing volume as 1.11 billion shares, which raised in total 11.8 billion Yuan fund.

## Changes in Share Capital and Status of Shareholders

### 6.2.2 Changes of the Bank's total shares number and structure

During the reporting term, the Bank completed its private placement of 1,105,904,401 shares, after which the Bank's total share capital is 7,333,466,282 shares. Relevant information was disclosed on 28 Mar 2012 at the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the reporting term, the Bank carried out its Y2011 profit distribution as: every 10 shares to receive cash dividend 2 Yuan (tax inclusive) and 2 convertible shares. After the share granting, the Bank's total share capital is 8,800,159,539 shares. Relevant information was disclosed on 7 Jul 2012 at the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## 6.3 Information on Shareholders and Actual Controllers

### 6.3.1 Top10 shareholders and top10 shareholders whose shareholding not subject to trading restriction

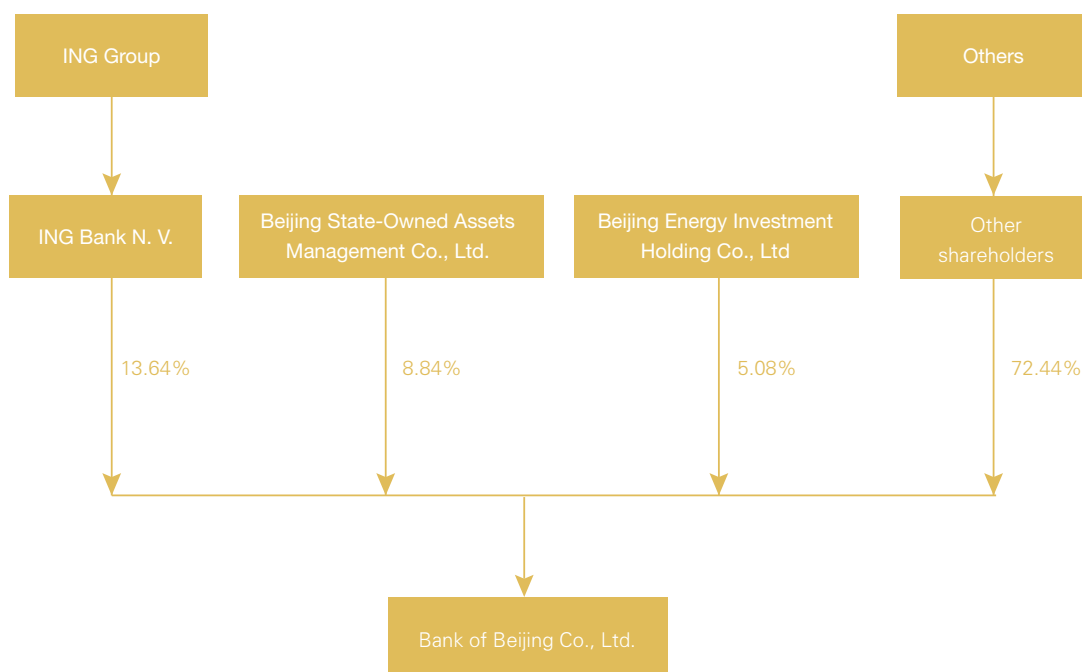
(Unit: share)

Total number of shareholders at 2012-end		234,264	Total number of shareholders as the 5 <sup>th</sup> trading day prior to the disclosure day of the annual report		237,335	
Top 10 shareholders						
Name	Nature	Shareholding	Number of shares held	+/- in reporting term	Number of shares held subject to trading restrictions	Number of shares pledged or frozen
ING BANK N.V.	Foreign shareholder	13.64%	1,200,581,777	200,096,963	0	0
Beijing State-Owned Assets Management Co., Ltd.	State-owned shareholder	8.84%	777,796,427	129,632,738	0	51,356,833 frozen
Beijing Energy Investment Holding Co., Ltd	State-owned shareholder	5.08%	446,648,700	74,441,450	0	29,500,750 frozen
HAWTAI Automobile Group	Other	4.47%	393,626,991	393,626,991	393,626,991	393,626,990 pledged
CITIC Securities Co., Ltd.	Other	3.96%	348,209,452	342,653,914	337,394,563	0
International Finance Corporation	Foreign shareholder	3.43%	301,653,713	50,275,619	0	0
China Foreign Economy and Trade Trust & Investment Co., Ltd. - Bank of Beijing Equity Trust Plan	Other	1.92%	169,106,987	28,184,498	0	0
Taikang Life Insurance – dividend – individual dividend -019L –FH002 SH	Other	1.67%	146,989,709	146,989,709	146,989,709	0
Century Golden Resources Group	Other	1.50%	132,300,000	22,050,000	0	132,300,000 pledged
Beijing Hi-Tech Group Corporation	State-owned shareholder	1.45%	127,412,427	59,735,621	56,232,427	0
Top 10 shareholders of shares not subject to trading restriction						
Name of shareholders			Number of shares not subject to trading restrictions held		Type of shares	
ING BANK N.V.			1,200,581,777		RMB ordinary shares	
Beijing State-Owned Assets Management Co., Ltd.			777,796,427		RMB ordinary shares	
Beijing Energy Investment Holding Co., Ltd			446,648,700		RMB ordinary shares	
International Finance Corporation			301,653,713		RMB ordinary shares	

## Changes in Share Capital and Status of Shareholders

China Foreign Economy and Trade Trust & Investment Co., Ltd. - Bank of Beijing Equity Trust Plan	169,106,987	RMB ordinary shares
Century Golden Resources Group	132,300,000	RMB ordinary shares
Beijing Huayuan Group	99,788,438	RMB ordinary shares
Beijing Information Infrastructure Construction Co., Ltd.	71,520,055	RMB ordinary shares
Beijing Hi-Tech Group Corporation	71,180,000	RMB ordinary shares
Beijing Liandong Investment (Group) Co., Ltd.	69,600,000	RMB ordinary shares
Note to the connected relations and concerted action among the above-mentioned shareholders	The Bank is not aware of any connected relations among the shareholders with shares not subject to trading restrictions.	

### 6.3.2 Information on controlling shareholders and actual controlling party



The Bank has no controlling shareholder or actual controlling party. Information of shareholders holding more than 10% of the Bank's shares:

Name: ING Bank N.V.  
 CEO: Jan Hommen  
 Year of incorporation: 1991  
 Commerce registration: 33031431

Major operation & management activities: ING Bank N.V. is the core enterprise of International Netherlands Group (ING Group). It has two major business lines: retail banking and corporate banking. The former one provides personal and direct services to individuals and SME clients, covering Europe, Asia and Canada. The latter one serves large companies, government institutions and other financial institutions over 40 countries, providing mainly financing, transfer and other cash management services.

## Section VII Information of Directors, Supervisors, Senior Management and Employee

### 7.1 Information about Directors, Supervisors and Senior Management

#### 7.1.1 Basic information

Name	Gender	Title
Yan Bingzhu	M	Chairman
Yan Xiaoyan	F	Vice Chairman, President
Ren Zhiqiang	M	Director
Zhang Zhengyu	M	Director
Zhang Jie	M	Director
Lu Haijun	M	Director
Zhang Dongning	M	Director, Vice President
Zhang Huizhen	F	Director, Chief Risk Officer
Ferdinand Jonkman	M	Director, Vice President
Bachar Samra	M	Director, Assistant President
Michael Knight Ipson	M	Director
Li Baoren	M	Independent Director
Wu Xiaoqiu	M	Independent Director
Shi Jianping	M	Independent Director
Yu Ning	M	Independent Director
Wang Ruixiang	M	Independent Director
Li Jian	F	Independent Director
Shi Yuan	M	Chief Supervisor
Qiang Xin	F	Supervisor representing employee
Lu Xueyong	M	Supervisor
He Hengchang	M	Supervisor
Zhou Yichen	M	Supervisor
Xing Bin	F	Supervisor
Zhang Jianrong	F	Supervisor
Liu Zhendong	M	Supervisor
Hao Ruyu	M	External Supervisor

## Information of Directors, Supervisors, Senior Management and Employee

Name	Gender	Title
Liu Hongyu	F	External Supervisor
Zhao Rui'an	M	Vice President, Chief Financial Market Officer
Xu Ningyue	M	Vice President, Chief Corporate Officer
Jiang Deyao	M	Vice President, Chief Operation Officer
Yang Shujian	M	Board Secretary
Du Zhihong	F	Assistant President, Chief Finance Officer

Note:

1. Mdm.Qiang Xin was elected by the Bank's Staff Representative Assembling as Supervisor for employee on 27 Dec 2012;
2. The Bank issued public announcement on 9 Jan 2013 that Mr. Shi Yuan resigned from the Bank's Chief Supervisor. The Supervisory Board elected Mdm.Qiang Xin as the Chief Supervisor.

### 7.1.2 Positions of Directors and Supervisors in shareholder's institutions and other organizations

#### (1) Position in shareholders' institutions

Name	Name of the Unit served	Title
Zhang Jie	China Hi-Tech Group Corporation	Chairman
	China Textile Machinery (Group) Co., Ltd	Chairman
Lu Haijun	Beijing Energy Investment (Group) Co., Ltd	Chairman
Zhou Yichen	Taifude Investment Group Co., Ltd.	Chairman
Liu Zhendong	Beijing Liandong Investment (Group) Co., Ltd.	Chairman

#### (2) Positions in other institutions than shareholders'

Name	Name of the Unit served	Title
Ren Zhiqiang	Beijing Huayuan Real Estate Development Co., Ltd	Chairman
	Huayuan Property Co., Ltd	Chairman
	Beijing Huayuan Haoli Investment Co., Ltd	Chairman
Zhang Zhengyu	Beijing Hi-Tech Wealth Communication Technology Co., Ltd	Director
	Beijing Hi-Tech Wealth Technology Development Co., Ltd	Director
Zhang Jie	China Hi-tech Property Co., Ltd	Chairman
	Hi-tech (Mexico) Textile Co., Ltd	Chairman
Lu Haijin	Beijing Jingneng Clean Energy Co., Ltd	Chairman
	Beijing Jingneng International Energy Co., Ltd	Chairman
	Ningxia Jingneng Nindong Electric Power Co., Ltd	Chairman
Michael Knight Ipson	Shanxi Zhangshan Power Co., Ltd	Chairman
	Jiangsu Financial Leasing Co., Ltd	Director
	China-ASEAN Fund on Investment Cooperation	Director
Li Baoren	Vietnam Joint Stock Commercial Bank for Industry and Trade	Director
	Central University of Finance and Economics	Professor
Wu Xiaoqiu	Industrial Securities Co., Ltd	External Director
	Renmin University of China	Professor

## Information of Directors, Supervisors, Senior Management and Employee

Name	Name of the Unit served	Title
Shi Jianping	Central University of Finance and Economics	Professor
Yu Ning	China Mobile Communications Corporation	External Director
	China Ocean Shipping (Group) Company	External Director
Wang Ruixiang	China Machinery Industry Federation	Chairman member
Li Jian	Central University of Finance and Economics	Head of Finance Department
Hao Ruyi	Capital University of Economics and Business	Professor
Liu Hongyu	Beijing Jincheng Tongda Law Firm	Senior Partner

### 7.1.3 Work experience of Directors, Supervisors and Senior Management

#### (1) Directors

##### Mr. Yan Bingzhu

Mr. Yan is the CPC Bank of Beijing committee Secretary and Chairman of Bank of Beijing. He holds master degree of economics, master degree of management and the title of senior economist. He is the supervisor of post-graduates and visiting professor of Central University of Finance and Economics, part-time professor of University of Nanjing, supervisor of post-doctor scientific research workstation of Bank of Beijing. He enjoys special government allowance of the State Council. Mr. Yan is the representative of 17th National Congress of CPC, member of 11th and 12th Committee of Chinese People's Political Consultative Conference, Deputy Director of Sub Committee of Economic Affairs of CPPCC, member of 10th Beijing CPC, Vice President of China Banking Association, Vice President of Chinese Entrepreneurs' Association and Standing Director of China Society for Finance and Banking. He had served as Head of PBOC Beijing Branch office, General Manager in Central Branch of Beijing Branch of ICBC, and General Auditor in Beijing Branch of ICBC. In 1996, he took part in setting up Bank of Beijing and served as the 1st President and as Chairman of Bank of Beijing since 2002 till now. With great contribution to China's financial sector, Mr. Yan has successively won "National Labor Day Medals", "Top10 China Economic Talents Award", "Top10 Entrepreneurs with influence on citizens' life", "Beijing Advanced Worker", "Annual Social Responsibility Leading Person", "Person with Contribution to China's Reform", "Top10 Leading Persons of Chinese Enterprises", "Top10 Persons in China Finance Industry", "Top10 New Talented Persons in China Finance Sector", "Annual Person of China's Banking Industry", "Leading Person of Top100 Chinese Enterprises", "Person with Special Contribution to China's Economic Construction" and many other honored titles. In addition to that, he achieved rich fruits in the academic research area: compiled "Management of Commercial Bank's Values", "Best Practice to Solve the Difficulty for SME Financing", and "Theories and Practices of Commercial Bank Development in Transformational Period" and "Risk Management and Internal Control over Commercial Banks", etc as chief editor, and published over 100 theses in several core newspaper and magazines such as "Financial News", "China Finance" and etc.

## Information of Directors, Supervisors, Senior Management and Employee

### **Mdm. Yan Xiaoyan**

Mdm. Yan serves as Vice Chairman and President of the Bank. She joined the Board of Directors in July 1996, and is currently serving as Beijing Municipal People's Government counselor, member of the Standing Committee of the 13th People's Congress of Beijing, Executive Member of Beijing Federation of Industry & Commerce Association, Standing Director of Beijing Society for Finance and Banking, Director of China Society for Finance and Banking, Vice Chief Director of the Listed Companies Association of Beijing, member of Panel Advisory Committee of Beijing Financial Sector's Development in the "Twelfth Five-year Plan", post-graduate supervisor and visiting professor of Central University of Finance and Economics, part-time professor of Xi'an Jiaotong University, President of Capital Female Financier Association, President of Beijing Banking Association, and supervisor of post-doctor scientific research workstation. Mdm. Yan served as Vice President of the Bank from January 1996 and has been serving as President of the Bank since January 2002. Before that, Mdm. Yan had served successively as Vice General Manager and General Manager of the Central Branch of Beijing Branch of Industrial and Commercial Bank of China from April 1976 to December 1995. She won the award of "National Women Pace-Setter", "Top10 Influencing Persons in 30 years of China Reform and Opening up", "Pioneer Person in China Finance Sector", "Person of the Year of China's Banking Sector", "Person of the Year of China City Commercial Banks", "Pioneer Person of Independent Innovation in China", "Top10 Outstanding Persons in China's Economy", "Top10 Entrepreneurs with Great Contribution to China's Growth", "Leading Person of Independent Innovation in China", "Excellent Banker" and "2011 Annual Female Executive in Commercial World", etc. Mdm. Yan Xiaoyan is a senior economist. She obtained a master degree of economics in Southwestern University of Finance and Economics in 1995 and a master degree of management in Xiamen University in 2005.

### **Mr. Zhang Dongning**

Mr. Zhang is Director of the Bank, and he joined the Board of Directors in May 2008. Currently, he is serving as Deputy Secretary of Party Committee, Secretary of Discipline Inspection Committee and Vice President. Mr. Zhang has been serving as the Bank's Vice President since December 2009, Vice Secretary of Party Committee since November 2008, Secretary of Discipline Inspection Committee of the Bank since June 2008, General Manager of Shanghai Regional Branch from January 2010 to October 2011, Chief HR Officer from July 2006 to January 2010, General Manager of HR Department from March 2005 to December 2008 and General Manager of Training Department of the Bank from January 1996 to March 2005. Before that, Mr. Zhang was engaged in management in Education Division in Beijing Branch of Industrial and Commercial Bank of China from December 1988 to December 1995, and served as Director of the Office of Youth League Committee of Daxing County from January 1988 to November 1988. He was a teacher in Beijing Xihongmen Middle School from February 1983 to December 1987. Mr. Zhang is an economist. He obtained a bachelor degree from Capital Normal University in 1983 and a master degree of management from Xiamen University in 2005.

### **Mr. Ferdinand Jonkman**

Director of the Bank. Dutch nationality. He joined the Board of Directors in April 2011, and has been taking the position of Vice President of the Bank since April 2011, in charge of retail banking business. Prior to that, he was General Manager of Mortgages, ING Netherlands, and member of the Retail Management Team in The Netherlands. Previously, Mr. Ferdinand Jonkman was Executive Director Adviser of ING Group from 2007 to 2010, General Manager of Retail ING Bank Netherlands from 2005 to 2007, General Manager of Business Line Banking Division Insurance Netherlands from 2003 to 2005, Director at Westland/Utrecht Hypotheekbank from 2001 to 2002, Head of Management Development at ING Group from 1998 to 2000, Head of the SME ING Bank Netherlands from 1996 to 1997, Director of Bussum Branch of ING Bank from 1992 to 1996, Head of Commercial Business at Middle Netherlands Region from 1989 to 1991, Head of Commercial Business at Netherlands East Region from 1984 to 1988. Prior to that, he worked for the Government of the Drenthe Province from 1978 to 1981, responsible for the financial policy of the provincial government's participations and spending of provincial employment fund. Mr. Ferdinand Jonkman studied in Emmen and graduated from Pedagogic Academy at Emmen, majoring in Education; studied at Groningen University, majoring in Business Economics; and he obtained Master of Marketing at Tilburg University.



## Information of Directors, Supervisors, Senior Management and Employee

### **Mr. Bachar Samra**

Director of the Bank. French nationality. He joined the Board of Directors in June 2005 and has been serving as Assistant President of the Bank in charge of Risk Management since October 2005 till Nov 2012. Prior to that position, Mr. Samra served as Chairman of IBA Credit Limited (Hong Kong) from 1997 to 2005, Executive Director, Alternate Chief Executive and Executive Vice President of International Bank of Asia Limited (Hong Kong) (now Fubon Bank) from 1989 to 2005, and Executive Vice President of Unitag Group (Bahrain) from 1985 to 1989. Mr. Samra graduated Cum Laude from University of Memphis, USA, with Master of Engineering in Civil Engineering, and received a Master in Business Administration (MBA) with concentration in Marketing and Financial Management from DePaul University, Chicago, USA. He also completed an Executive Program at Stanford University. He currently serves as a USC ambassador at University of Southern California. Mr. Samra was awarded the Great Wall Friendship Award in 2007, the highest honor for international experts by the Municipal Government of Beijing.

### **Mr. Ren Zhiqiang**

Mr. Ren is Director of the Bank. He joined the Board of Directors in June 2004. Mr. Ren is currently serving as Chairman of Huayuan Property Co., Ltd, Chairman of Beijing Huayuan Real Estate Development Co., Ltd., Chairman of Beijing Huayuan Haoli Investment Co., Ltd, Member of 9th, 10th and 11th CPPCC Beijing Council and Vice Director of Real Estate Chamber of All-China Federation of Industry & Commerce and China Real Estate Research Association. Mr. Ren has been serving as President of Beijing Huayuan Group and Chairman and General Manager of Beijing Huayuan Group Company since 1993. During that period, He has a concurrent post as Chairman of Beijing Huayuan Property Co., Ltd. since January 2007, as Chairman and General Manager of Beijing Huayuan New Era Real Estate Development Co., Ltd. from February 2000 to January 2007, and as Chairman and General Manager of Beijing Huayuan Property Co., Ltd from 1993 to 2000. Before, He also served as General Manager of Beijing Huayuan Economic Construction Development Corporation, and Manager of Beijing Huayuan Urban Construction Development Company, etc. Mr. Ren is an engineer and post graduate of the major in civil and commercial law from Law School of Renmin University of China.

### **Mr. Zhang Zhengyu**

Mr. Zhang is Director of the Bank. He joined the Board of Directors in June 2004. He is the member of the 11th National CPPCC, national mid/young talent, and had ever received State Council special allowance. Since 2012 till now, he has been serving as Director of Beijing Hi-Tech Wealth Communication Technology Co., Ltd, he was director of Beijing Hi-Tech Wealth Technology Development Co., Ltd since 2010 to 2012, and General Manager of Beijing Hi-Tech Wealth Telecommunication Product Co., Ltd from 2002 to 2010. Before that, Mr. Zhang had a post as Vice General Manager and General Manager of China Welfare Enterprise Corporation from 1992 to 2001, and held a position as General Manager of Beijing Haidian Star Technology Development Center from 1987 to 1997. Mr. Zhang is a senior engineer with a doctor degree of dynamics of multi-body systems from Beijing University of Aeronautics and Astronautics.

### **Mr. Lu Haijun**

Mr. Lu is Director of the Bank. He joined the Bank's Board of Directors in December 2011. Mr. Lu is currently serving as Party Committee Secretary and Chairman of Beijing Energy Investment (Group) Co. Ltd. He was ever a member of Party Committee, Deputy Director, Secretary of Party Committee and Director of Beijing City Infrastructure Management Committee from February 2003 to December 2008, and was Assistance Director of Beijing Public Facility Bureau and then Deputy District Governor of Chongwen District from June 1998 to February 2003. Prior to that, he successively served as Deputy Manager, Deputy Party Committee Secretary and Manager of Beijing Liquefied Petroleum Gas Company from January 1988 to June 1998, and was Deputy Manager of Beijing Gas Corporation from July 1982 to January 1988. Mr. Lu is senior economist with a Master degree in Economics.

## Information of Directors, Supervisors, Senior Management and Employee

### Mr. Michael Knight Ipson

Director of the Bank. American nationality. He joined the Board of Directors in June 2005 and is serving as Advisor of International Finance Corporation (IFC) and Member of National Committee on US-Sino Relations. He used to be Member of Banking Personnel Qualification Authentication Specialist Committee of China Banking Association, Director of American Chamber of Commerce (Hong Kong) and Chief Representative of China-Mongolia Areas of IFC. Mr. Ipson has been serving as Chief Bank expert of International Finance Corporation from 2005 to 2007. Before that, from December 1991 to April 2005, Mr. Ipson had served successively as Executive Vice President of International Bank of Asia Limited (IBA), Director of Leasing Subsidiary and Securities Subsidiary of IBA. From Sep. 1979 to Dec. 1991, he served as General Manager of Hong Kong Branch of Manufacturers Hanover, Chief Executive Officer of Manufacturers Hanover Asia, Chief Representative of Manufacturers Hanover in China and Vice President in China Business. Mr. Ipson obtained a bachelor degree of history in California Berkeley University in 1969, a master degree of arts in Stanford University in 1973, nomination of doctor degree in Harvard University and a MBA in DePaul University (U. S.) in 1998.

### Mr. Zhang Jie

Mr. Zhang is a Director of the Bank, and joined the Board of Directors in August 2010. He is currently serving as Party Secretary and Chairman of China Hi-Tech Group Corporation. Before that, Mr. Zhang was CEO of China Worldbest Group Co., Ltd from September 2005 to March 2008, Vice General Manager of China Hi-Tech Group Corporation and General Manager of China Textile Machinery Co., Ltd. from May 2004 to September 2005. He successively served as Vice General Manager, General Manager and Chairman of China Textile Machinery Co., Ltd. from August 1998 to May 2005, General Manager of China Textile Real Estate Development Company from May 1995 to August 1998, Deputy Head of Production Bureau and General Administrative of Chemical Fiber Department, Ministry of Textile Industry, and Director of Chemical Fiber Development Center under Textile General Association. Mr. Zhang is senior engineer with doctor degree in economics.

### Mdm. Zhang Huizhen

Mdm. Zhang is a Director (Representative of Employees) of the Bank. She joined the Board of Directors in August 2010, and is serving as the Bank's Chief Risk Officer. Mdm. Zhang was General Manager of Xi'an Regional Branch, Bank of Beijing from December 2007 to May 2010, and successively served as deputy branch manager and branch manager of Hua'an Sub-branch of Bank of Beijing from March 1999 to November 2007, deputy branch manager of Yong'an Sub-branch, Guanyuan Sub-branch of Bank of Beijing from January 1996 to March 1999. In 2009, Mdm. Zhang was awarded as "Outstanding Persons for Financial Development in Shaangxi Province" by the Shaangxi Provincial Government; in 2010, she won "Outstanding Party Member in the Public's Mind" given by State-owned Assets Supervision and Administration Commission. Mdm. Zhang is an on-job graduate of Party School of Municipal Party Committee.

### Mr. Li Baoren

Mr. Li is Independent Director of the Bank. He joined the Board of Directors in April 2007 and is currently serving as Professor and Doctorial Tutor in Central University of Finance and Economics and Deputy Chief Member of the Financial and Economic Committee of the People's Congress of Beijing. He is Specialist enjoying special government allowance of the State Council. He served as Secretary of CPC Committee of Central University of Finance and Economics from June 1991 to February 2005, as Vice Secretary of CPC Committee of Northeast University of Finance and Economics from August 1984 to May 1991, as teacher in the Finance Department of Liaoning Institute of Finance and Economics from January 1981 to July 1984, and as Vice Director of Finance Bureau of Tacheng Region of Xinjiang from June 1975 to December 1980. He engaged in the work in Finance Bureau of Tacheng Region of Xinjiang from April 1970 to May 1975. He graduated from Liaoning Institute of Finance and Economics in 1966.

### Mr. Wu Xiaoqiu

Mr. Wu joined the Board of Directors in April 2007. He is professor and doctoral supervisor. He enjoys special allowance of the State Council for specialists, and currently serves as Head of Research Institute of Finance and Security of Renmin University of China (RUC), as well as Standing Director of China Society for Finance and Banking, Standing Director of Chinese Society of City Finance, Standing Director of Chinese Society of Rural Finance and Member of its Academic Committee, etc.

## Information of Directors, Supervisors, Senior Management and Employee

He was appraised by the Ministry of Education as a cross-century excellent talent, outstanding youth specialist, and he is “Yangtze River Scholar” specially-engaged professor of the Ministry of Education as well as a member of Disciplinary Appraisal Panel under the Committee of Academic Degree of the State Council. Mr. Wu was graduated from RUC in July, 1990, and obtained a Ph. D in Economics.

### **Mr. Shi Jianping**

Mr. Shi is an Independent Director of the Bank. He joined the Board of Directors in August 2010. He is currently a professor, doctoral supervisor of Central University of Finance and Economics, experts enjoying State Council special allowance, Standing Director of China Society for Finance and Economics, Deputy Director of China Rural Finance Association and Member of Banking Personnel Qualification Authentication Specialist Committee of China Banking Association. Since 1987, Mr. Shi has been teaching in Central University of Finance and Economics. Before that, he successively served as credit officer, Deputy Head and Head of ICBC Credit Division from 1983 to 1987. Mr. Shi was graduated from Central University of Finance and Economics with doctor degree of national economics. He ever won the 1st Award of State Teaching Achievement, and was elected as the leading talent of cross-central youth academics of the Ministry of Finance.

### **Mr. Yu Ning**

Mr. Yu is an Independent Director of the Bank. He joined the Board of Directors in August 2010. He is a member of the 11th CPPCC and member of Social and Legal Affair Committee of CPPCC. He also served as the former Director of All China Lawyers Association. Before that, he was Deputy Director and then Director of Central Commission for Discipline Inspection of the CPC from August 1983 to May 1994; he was a cadre of Political Work Section of Health Bureau, Zhenjiang City, Jiangsu Province from May 1978 to August 1979; and from 1969 to 1978, he was serving in No. 114 Division, No.38 Army. Mr. Yu obtained bachelor degree of jurisprudence in 1983 and master degree of economical laws in 1996, both from Peking University.

### **Mr. Wang Ruixiang**

Mr. Wang is the Bank's Independent Director, and joined the Bank's Board of Directors in April, 2011. He is Member of National Committee of 11th CPPCC, and Vice Director of Committee for Handling Proposals. He works as Party Committee Secretary and Chairman of China Machinery Industry Federation. He was Vice Director, Party Committee Member, Party Committee Secretary of State-owned Assets Supervision and Administration of the State Council and Vice Chairman of All-China Federation of Trade Unions. Previously, he worked as Deputy Party Committee Secretary and Party Committee Secretary of Central Work Committee for Large Enterprises from Dec 1999 to March 2003, and General Office Director and Enterprises Work Department Head, Deputy Secretary and General Office Director, as well as Enterprises Work Department Head from March 1996 to Dec 1999. He worked as Administrative Deputy Secretary and Discipline Committee Secretary of Ministry of Communication Party Committee from March 1994 to March 1996. He worked as Party Committee Deputy Secretary and Discipline Committee Secretary of China Road and Bridge Construction Corporation from Oct 1991 to March 1994. He worked as Party Committee Deputy Secretary and Discipline Committee Secretary of Heilongjiang Province Bureau of Shipping from Nov 1987 to Oct 1991. He worked as Vice Director, Party Committee Secretary, Director of Heilongjiang Province Bureau of Shipping Heihe Branch form Oct 1981 to Nov 1987. He worked as worker, Youth League Deputy Secretary, and Youth League Secretary successively of Shipping Division of Heilongjiang Province Bureau of Shipping from Dec 1969 to Oct 1981.

### **Mdm. Li Jian**

Mdm. Li Jian is the Independent Director of the Bank. She joined the Bank's Board of Directors in December 2011. She is a professor and doctoral supervisor. She is now the director of Financial Sector in Central University of Finance and Economics, and also member of council of China Society for Finance and Banking, member of council of China International Finance Society, member of Central Broadcast Academic Committee, member of Editors Committee of “Investment and Research”. She was graduated from Central University of Finance and Economics in 1997 with a Ph.D in Economics, and has been working there as a teacher since graduation. Before that, she worked in Direct Battalion, No. 3 Division of Zhejiang Production and Construction Corps from 1970 to 1975, and worked in Zhejiang Occupational Disease Prevention and Treatment Bureau from 1976 to 1979. In 2003, Mdm. Li Jian was awarded as the “First National Famous University Teacher Prize”, she began to

## Information of Directors, Supervisors, Senior Management and Employee

enjoy special government allowance of the State Council since 2004, selected as excellent teaching team leader at national level in 2007, with research areas including money, credit and financial market theory and policy. Since 1983 she published more than one hundred research papers, 8 books, 12 teaching materials, hosted more than 10 research projects above provincial level. Her research receivables were awarded 1 national level prize and 9 provincial level prizes.

### (2) Supervisors

#### Mr. Shi Yuan

Chief Supervisor of the Bank. Mr. Shi joined the Board of Supervisors in May 2008. He currently serves as Chairman of ING-BoB Life Insurance. Before that, he was Vice Chairman of the Bank (January 2002 - May 2008) and Vice President (January 1996). Prior to Bank of Beijing, Mr. Shi was Vice-Director of Macao Branch of Xinhua News Agency (June 1991 - December 1995) and Deputy Director, Director of Division of the Organization Department of CPC Beijing Committee (May 1982 - June 1991). Mr. Shi graduated from Renmin University of China majoring in Industrial Economy Management with a bachelor degree. He obtained master degree of Monetary Banking from Graduate School of Chinese Academy of Social Sciences and MBA from Xiamen University in 2005.

#### Mdm. Qiang Xin

Mdm. Qiang is Supervisor (Representative of Employees) of the Bank. She serves as the Deputy CPC Committee Secretary of Bank of Beijing. Before this, she served as Deputy CPC Committee Secretary and deputy director of Beijing Municipal Government Asset Management Committee from Nov 2009 to Aug 2010, CPC Committee member and deputy director of Beijing Municipal Government Asset Management Committee from Dec 2007 to Nov 2009, Director and Deputy CPC Committee Secretary of Beijing Office of Tibet Municipal Government, as well as CPC Committee Secretary and Chairman of Tibet Xinzhu Industrial Corporation Limited from July 2001 to Dec 2007, Deputy Director of Beijing Office of Tibet Municipal Government from Dec 1992 to Oct 1996, Deputy CPC Committee Secretary and Deputy Director of Tibet Autonomous Region South Mountain Industry Electricity Bureau from Sep 1990 to Dec 1992, Deputy Workshop Director, Deputy Plant Manager, CPC Committee Secretary of Tibet Autonomous Region South Mountain Woka Electricity Bureau from June 1979 to Sep 1990. Mdm. Qiang is Senior Political Divisions, on-job postgraduates from Central Party School.

#### Mr. Lu Xueyong

Mr. Lu is Supervisor of the Bank. He joined the Board of Supervisors in June 2004, and served as the Chief Supervisor till May 2008. Mr. Lu had served as Member and Executive Member of Beijing CPPCC and Vice Director of Economic and Technological Committee of Beijing CPPCC from January 2003 to January 2006. Before that, Mr. Lu had served successively as Deputy Chief of Industrial Credit Division of Beijing Branch of the People's Bank of China, Vice Director of Chaoyang District Office of the PBOC, Deputy Branch Manager of Beijing Branch of the PBOC, Secretary of CPC Group and Branch Manager of Beijing Branch of the PBOC, Secretary of CPC Committee and Director of Business Management Department of the PBOC from September 1982 to 1999, and served as Secretary of Finance Industry Committee of CPC Beijing Committee from October 1999 to March 2002. Mr. Lu is a senior economist and graduated from Beijing Correspondence University of Economics. He is an on-job graduate of Chinese Academy of Social Sciences in commercial economy major.

#### Mr. He Hengchang

Mr. He is Supervisor of the Bank. He joined the Board of Supervisors in August 2010. Mr. He served as the first Chairman of the Bank from January 1996 to January 2002. Before that, he served as Deputy Branch Manager of Beijing Branch of ICBC from May 1984 to October 1996, as Team Leader of Comprehensive Team of Industrial Credit Department of Beijing Branch of the PBOC, person in charge of the Banking Business Team of Beijing Finance Bureau and Deputy Branch Manager of Beijing Branch of the PBOC from June 1965 to April 1984, and as Deputy Chief of Credit Section of Dongcheng District Office of Beijing Branch of the PBOC from July 1959 to May 1965. Mr. He is a senior economist and lifelong honored member of the Bank. He graduated from the Finance Department of Northeast Institute of Finance in 1957.

## Information of Directors, Supervisors, Senior Management and Employee

### **Mr. Zhou Yichen**

Mr. Zhou is Supervisor of the Bank. He joined the Board of Supervisors in June 2004 and is currently serving as Chairman of Taifude Investment Group Co., Ltd, Director of BoB Yanqing Village Bank. He is Member of the 10th and 11th Committee of Beijing CPPCC, the 9th and 10th Executive Member of All-China Federation of Industry & Commerce, the 11th and 12th Executive Member of Beijing Federation of Industry & Commerce, the 13th Deputy Chairman of Beijing Federation of Industry & Commerce, the 3rd and 4th Executive Member of China Society for Promotion of the Guangcai Program, the 1st Director of China Society for Promotion of the Guangcai Program, the 1st and 2nd Executive Member of Beijing Non-public Economic Association, the 9th and 10th Executive Member of Beijing New Social Classes Association and Honored Vice President of Chaoyang District Charity Association of Beijing. Mr. Zhou served as President of Beijing Jinanxingchen Company from July 1995 to July 1999, as Director and General Manager of Beijing Kaiyue Food Company from May 1992 to July 1995, and as Manager of the 2nd Business Department of Timber Company of Fangshan Material Bureau from July 1990 to May 1992. He obtained a master degree from Beijing Administration Institute in 2002.

### **Mr. Liu Zhendong**

Supervisor of the Bank. Mr. Liu joined the Board of Supervisors in August 2010. He is Vice Chairman of Beijing Federation of Industry & Commerce, a representative of the 14th Beijing National People's Congress, and currently serves as the Chairman of Beijing Liandong Investment (Group) Co., Ltd and General Manager of its Real Estate Department. Before that, Mr. Liu was General Manager of Beijing Liandong Framework Co., Ltd from November 2000 to May 2003, General Manager of Tianjin Liandong Framework Co., Ltd from 1994 to 2000, and General Manager of Tangshan Liandong Framework Co., Ltd from 1992 to 1993. Mr. Liu Zhendong obtained the degree of EMBA in Jan 2012.

### **Mdm. Zhang Jianrong**

Mdm. Zhang is Supervisor (Representative of Employees) of the Bank. She joined the Board of Supervisors in April 2007 and is currently serving as Deputy Secretary of the Bank's Discipline Inspection Committee and Deputy General Manager of Discipline Department of the Bank. She was a Representative of the 16th National Congress of CPC and the 13th People's Congress of Xicheng District of Beijing. Mdm. Zhang served as Head of Auditing Department of the Bank from July 2006 to December 2008, as Deputy General Manager of Auditing Department of the Bank from March 2005 to July 2006, and as General Manager of Post-supervision Department of the Bank from January 2004 to March 2005. Before that, she served as Branch Manager of Yanjing Branch of the Bank from December 2000 to January 2004; Director of Operating Department and Deputy Branch Manager of Chang'an Branch of the Bank from January 1996 to December 2000, and as Director of Operating Department of Beijing Chang'an Urban Credit Cooperative from May 1994 to December 1995. Ms. Zhang has a bachelor degree.

### **Mdm. Xing Bin**

Mdm. Xing is Supervisor (Representative of Employees) of the Bank. She joined the Board of Supervisors in January 1996 and has been serving as Vice Chairman of the Labor Union of the Bank since January 1996 till now. Before that, she was engaged in the work of the Labor Union of Beijing Urban Credit Cooperatives from June 1991 to December 1995, and as Vice Secretary of CPC Committee in Guestroom Department of Beijing Xiyuan Hotel from January 1986 to June 1991. Mdm. Xing served as soldier and Staff Officer in 2nd Division, 6th Bureau, 3rd Department of Headquarters of the General Staff of PLA from March 1969 to December 1985. Mdm. Xing is an engineer and graduated from Correspondence College of Central School of CPC with a bachelor degree.

### **Mr. Hao Ruyu**

Mr. Hao is External Supervisor of the Bank. He is a professor, doctoral supervisor of Capital University of Economics and Business with a bachelor degree, China Certified Accountant and China Certified Tax Agent. In addition, he is the representative of 11th NPC, and currently is serving as Vice Director of Chinese Certified Tax Agents Association of National Tax Administration and Vice Director of Beijing International Taxation Research Institute. Before that, he successively served as instructor, associate professor, professor, school dean and Director of Taxation Research Institute of Central University of Finance and Economics from 1982 to February 2004.

## Information of Directors, Supervisors, Senior Management and Employee

### **Mdm. Liu Hongyu**

Mdm. Liu is external Supervisor of the Bank. She joined the Board of Supervisors in August 2010. She is a member of the 11th CPPCC, the representative of the 12th, 13th and 14th NPC of Beijing. She currently is a senior partner and lawyer of Beijing Jincheng Tongda Law Firm. Before that, Mdm. Liu has been working in Beijing Tongda Law Firm as its Director from April 1993 to April 2004, as legal advisor of Beijing Branch of Agricultural Bank of China from May 1988 to April 1993, and as manager of PBOC Sichuan Branch from July 1985 to May 1988. Mdm. Liu is economist with master degree.

### **(3) Senior managers**

#### **Mdm. Yan Xiaoyan**

Mdm. Yan is Vice Chairman and the President of the Bank. Please refer to the resume of Mdm. Yan Xiaoyan in the above section of [Directors].

#### **Mr. Zhang Dongning**

Mr. Zhang is a Director and Vice President of the Bank. Please refer to the resume of Mr. Zhang Dongning in the above section of [Directors].

#### **Mr. Zhao Rui'an**

Mr. Zhao is Vice President and Chief Financial Market Officer of the Bank. He joined the Bank in June 2001. Mr. Zhao has been serving as Vice President of the Bank since June 2001, and has a concurrent post as Chief Financial Market Officer since July 2006. Before that, Mr. Zhao served as Division Chief of Treasury Division of China Development Bank HQ from March 2000 to June 2001 and served successively as Deputy General Manager of Fund-raising Department and General Manager of Treasury Department of China Investment Bank HQ from September 1988 to February 2000. Mr. Zhao is a senior economist and doctor in economics of Post-graduate School of Chinese Academy of Social Sciences.

#### **Mr. Xu Ningyue**

Mr. Xu is Vice President of the Bank and Chief Corporate Business Officer. He joined the Bank in January 1996. He has been serving as Vice President of the Bank since March 2005 and concurrently as Branch Manager of Bank of Beijing Zhongguancun Regional Branch since Apr 2012 and Chief Corporate Officer of the Bank since July 2006, as General Manager of CBD District Office of the Bank in August 2006. Mr. Xu served as Assistant President of the Bank (serving concurrently as General Manager of Zhongkeyuan District Office of the Bank, and Branch Manager of Zhongkeyuan Branch) from May 2000 to March 2005, as Branch Manager of Yanjing Branch of the Bank from May 1998 to May 2000, Branch Manager of Chang'an Branch of the Bank from January 1996 to May 1998. Before that, Mr. Xu served as Vice Director and Director of Beijing Chang'an Urban Credit Cooperative from May 1994 to December 1995, and engaged in management in several enterprises and Business Development Department of All-China Federation of Trade Union from October 1977 to August 1993. Mr. Xu is an economist and MBA of Xiamen University.

#### **Mr. Ferdinand Jonkman**

Mr. Jonkman is a Director and Vice President of the Bank. Please refer to the resume of Mr. Ferdinand Jonkman in the above section of [Directors].

#### **Mr. Jiang Deyao**

Mr. Jiang is Vice President and Chief Operation Officer of the Bank. Mr. Jiang serves as the Vice President of the bank since Oct 2008 and concurrently Chief Operation Officer since Oct 2007. He served as Branch Manager of Tianjin Branch of the Bank since July 2006 to September in 2009, Assistant President of the Bank from May 2000 to September 2008, Branch Manager of Liulichang Sub-branch of the Bank from April 1997 to May 2000. Before that, Mr. Jiang served as Vice Director of the Office in Beijing Branch of Shanghai Pudong Development Bank from February 1996 to December 1996. And he successively worked as a league secretary and deputy Head of Administrative Office of one of Sub-branches in Beijing Branch of ICBC from July 1982 to January 1996.

## Information of Directors, Supervisors, Senior Management and Employee

### Mr. Yang Shujian

Mr. Yang is Secretary of the Board of Directors of the Bank. He joined the Bank in July 1997. He has been serving as Secretary of the Board of Directors of the Bank since August 2007, and as Head of Board's Office of the Bank from March 2005 to July 2007. Mr. Yang served as branch manager of Xueyuanlu Branch of the Bank from February 2004 to February 2005, as Deputy General Manager of HR Department of the Bank from May 2002 to January 2004, as Deputy Director of General Office of the Bank from May 2000 to April 2002, and as Head of Banking Card Business Group of Business Development Department of the Bank from July 1997 to April 2000. Mr. Yang is a senior economist. He obtained a bachelor degree in economics in Jilin University in 1994 and a master degree in economics in Jilin University in 1997 and a doctor degree in economics in Central University of Finance and Economics in 1997.

### Mdm. Du Zhihong

Mdm. Du is Assistant President and Chief Finance Officer of the Bank. She joined the Bank in January 1996. She has been serving as Assistant President of the Bank since July 2005 and concurrently as Chief Finance Officer of the Bank since July 2006. Mdm. Du served as General Manager of Central Branch of the Bank from March 2005 to March 2007 and as Deputy General Manager and General Manager of Finance Department of the Bank from April 1998 to March 2005. Before that, Mdm. Du was engaged in accounting in Beijing Branch of ICBC from October 1980 to December 1995. Mdm. Du is an economist and an on-job post-graduate in finance in Central University of Finance and Economics. She obtained MBA degree from Xiamen University.

### 7.1.4 The Evaluation & Incentive Mechanism and Annual Compensation for Directors, Supervisors and Senior Management

The Bank provides remunerations for executive directors and senior managers according to "Rules on Remuneration Management of Bank of Beijing", and provides remunerations for employees' supervisors according to Remuneration Administrative Measures for the Employees of Bank of Beijing.

The organizational framework of Bank of Beijing's remuneration management composes of the Shareholder's Meeting, the Board of Directors & Board of Supervisors, and the senior management. The Shareholder's Meeting takes charge of approval of Directors and Supervisors' remuneration; the Board of Directors is responsible for reviewing and approving remuneration of senior management and delegates the Remuneration Committee under the Board of Directors to assess Directors, Supervisors and senior management; the Board of Supervisors sets up the Supervision Committee and the Nomination Committee to supervise works of Directors, Supervisors and senior management, and report to the Shareholders' Meeting during its annual supervisory board work report.

The Board of Directors has set up a Remuneration Committee under it composed of three Directors, 2/3 of which are Independent Directors with 1 Independent Director as the Committee's chairman member. Its functions include: draft assessing standards of Directors, Supervisors and senior management; listen to and assess work reports of Directors, Supervisors and senior management on a regular basis; determine annual reward for senior managers according to business performance in the last year; other items related with the Remuneration Committee's duties authorized by the Board of Directors.

### 7.1.5 Name and reason of Directors, Supervisors and Senior Management appointed or dismissed during the reporting term

Name	Position	Change	Reason of change
Qiang Xin	Employee Supervisor	New engagement	Elected by Staff Representative Assembling

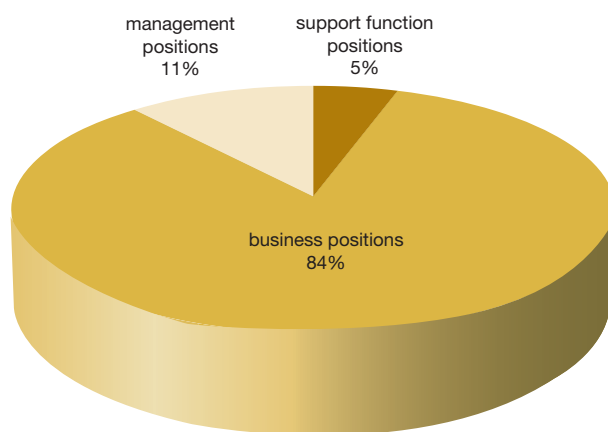
## Information of Directors, Supervisors, Senior Management and Employee

### 7.2 Employee status

As of term-end, the Bank has total headcounts of 8259 employee.

#### (1) Professional structure

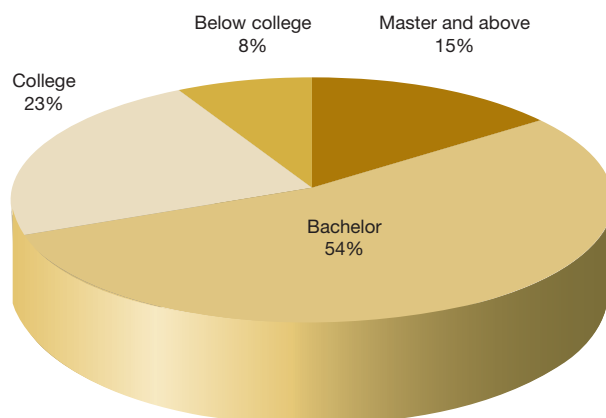
As of term-end, the Bank has 947 employee on management positions, 388 on support function positions and 6294 on business positions.



#### (2) Education structure

As of term-end, 92% staff have college and above education.

Education	Headcounts	Percentage
Master and above	1202	15%
Bachelor	4499	54%
College	1931	23%
Below college	627	8%



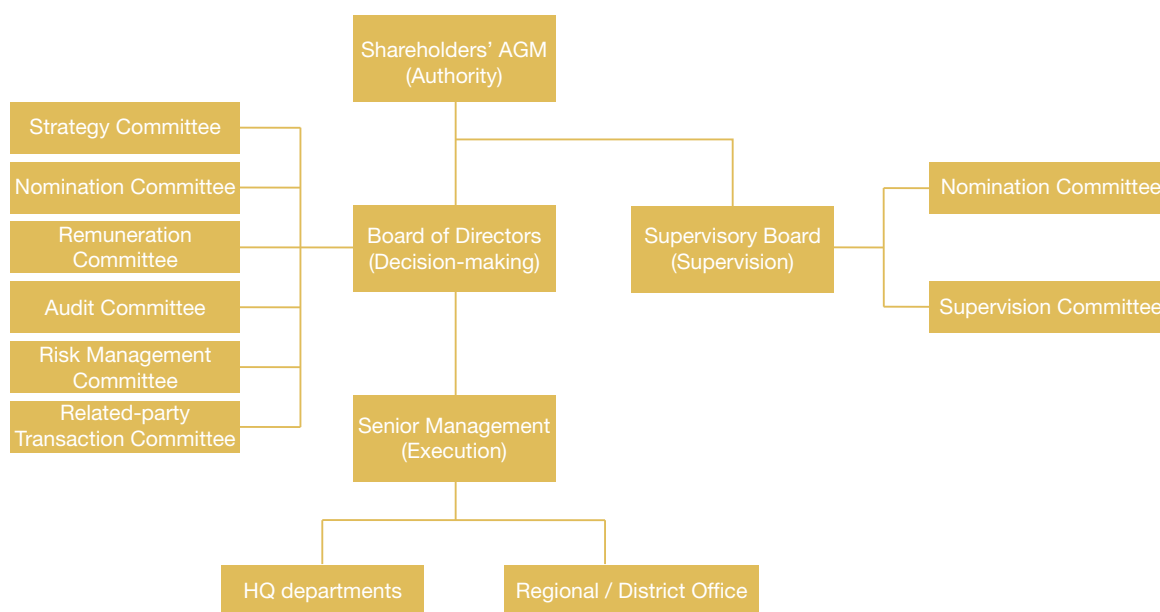


## Section VIII Corporate Governance

### 8.1 Situation of the Bank's Corporate Governance

Based on the “the Bank Law”, the “Commercial Bank Law” and other relevant laws and regulations, as well as policies from regulators, the Bank established a modern corporate governance structure of “Shareholders’ AGM, Board of Directors, Board of Supervisors and Senior Management”, in which Shareholder’s AGM is of the utmost authority, Board of Directors is the decision-making organization, Board of Supervisors is the supervisory organization and Senior Management is the executive organization.

Corporate Governance Structure of BoB



During the reporting period, the Bank strictly observed relevant laws and regulations, earnestly implemented related requirement from regulators, and continuously improved corporate governance structure combining the Bank's actual situation to enhance corporate governance of the Bank.

#### 8.1.1 Improved fundamental mechanism of corporate governance

During the reporting period, according to the latest regulatory requirements and based on the actual development needs, the Bank has continuously refined corporate governance fundamental mechanism construction. It amended some clauses of “Bank of Beijing Articles of Association”, to further enhance the awareness of return for shareholders and improve the decision-making of profit distribution matters; launched “Bank of Beijing Rules concerning the management of insiders with inside information (amended in 2012)”, to further improve the Bank's insider information management; drafted “Bank of Beijing remuneration policies of Directors and Supervisors (draft)”, to enhance its remuneration system; formulated “Bank

## Corporate Governance

of Beijing management guidelines on IT off-site regulatory reports”, for better data quality and clear assessment procedures for data collection, review, submission and fill-up quality; formulated “Bank of Beijing capital management guidelines (draft for discussion)”, “Bank of Beijing consolidation management rules” and “Guidelines on credit to local government financing platform” etc, to improve its group operation and risk management. By making the above measures, the Company’s policy framework was further refine and complied with “Company Law” and CSRC requirement.

### 8.1.2 Formulation and implementation of the registration administration of insider of internal information

During the reporting term, the Bank has followed requirement of CSRC and Beijing CSRC, to amend its “Bank of Beijing rules concerning the management of insiders with inside information”, which was reviewed and approved then by the Board. It was fully disclosed on 24 Apr 2012 at the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the term, the Bank has strictly followed rules of the insider management, continued to enhance the inside information administration, defined the primary responsible person and assigned liaison for inside information, improved staff’s confidentiality awareness, and effectively controlled and prevented insider transaction. Meanwhile, the Bank has complied with rules on the registration and reporting of insiders, and reminded in writing to its CPA, law firms and other agent companies to fulfill their confidentiality obligation.

## 8.2 Shareholders and the Shareholders’ Meeting

During the reporting period, the Bank held the Y2011 Shareholders’ Annual General Meeting. The meeting was noticed, convened, presented and voted following relevant procedures in accordance with the stipulation in “Company Law” and the Articles of Association. The Shareholders’ Meetings examined and approved 8 major proposals with respect to work report of the Board of Directors, work report of the Board of Supervisors, annual financial statements, and financial budget report, etc, and listened to the work report of Independent Directors. Beijing East Associates Law Firm was engaged to witness the legality and validity of the Shareholders’ AGM and issued a legal opinion letter. The convening of Shareholders’ Meetings of the Bank ensured that all the shareholders have the right to know, participate in and vote on the Bank’s significant matters. Public announcement of the meetings’ resolutions were published on “China Securities”, “Shanghai Securities News”, “Securities Times”, “Securities Daily” and website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 31 May.

## 8.3 Directors and the Board of Directors

### 8.3.1 Constitution and operation of the Board of Directors

All the Directors attended meetings and examined proposals with diligence, to effectively execute their decision-making function in order to protect the interests of all shareholders and the Bank. During 2012, the Bank in total held 10 Board meetings, examined and approved almost 40 major proposals, including regular reports, organization development plan, amendment on insider management policy and amendment on some Articles of Association and etc, and listened to business operation, overall risk report and announced latest regulatory policies from PBOC, CBRC and CSRC.

### 8.3.2 Duty fulfillment of Independent Directors

#### (I) Independent Directors’ presence of Board meetings

During the reporting period, all the independent directors of the Bank well fulfilled their duties with diligence, presented at Board Meetings seriously, and entrusted other directors to exercise voting rights in case they couldn’t presented at the meeting in person.

## Corporate Governance

Name	Required presence for Board meetings	Presence in person	Presence by proxy	Absence	Presence in Shareholders' meeting
Wang Ruixiang	10	9	1	0	1
Li Baoren	10	8	2	0	1
Wu Xiaoqiu	10	9	1	0	0
Shi Jianping	10	9	1	0	0
Yu Ning	10	8	2	0	0
Li Jian	10	10	0	0	1

**(II) Objections proposed by Independent Directors on relevant issues**

During the reporting period, Independent Directors didn't raise any disagreement or objections on the proposals of Board meetings or other matters.

**8.3.3 Special committees under the Board of Directors**

There are Strategy Committee, Related-party Transaction Committee, Risk Management Committee, Remuneration Committee, Nomination Committee and Audit Committee set up under the Board of Directors. Those committees under the Board have convened meetings in accordance with the requirements by laws, regulations, Articles of Association and rules of procedures.

**1. Performance of the Board's Strategy Committee**

In 2012, the Board's Strategy Committee in total organized 2 meetings, and listened to 13 proposals including the Y2011 implementation report on BoB's 4th five-year planning and business mixed operation plan etc. The Committee proposed its comments and suggestions in terms of enhancing SME and micro finance, enhancing development of village banks, improving business mixed operation organization structure and expanding diversified income channels etc.

**2. Performance of the Board's Related-party Transaction Committee**

In 2012, the Related-party Transaction Committee held in total 7 meetings, and reviewed 10 proposals including Adjustment reports on related-party name list and Y2011 Report on related-party transactions etc.

**3. Performance of the Board's Risk Management Committee**

In 2012, the Risk Management Committee held in total 4 meetings, and listened to 34 proposals including Y2011 Asset quality report and Y2012 Annual liquidity risk management guidelines etc. The Committee members believed that the Bank has maintained a good development despite of the challenging economy environment. The Committee also suggested the Bank enhance the identification of group clients and group's internal correlation, study and improve the conditions for stress test and projection of market development, reinforce NPA disposal and improve risk management quality.

**4. Performance of the Board's Remuneration Committee**

In 2012, the Remuneration Committee organized 4 meetings and listened to 6 proposals including Y2011 Directors performance report and Y2011 Remuneration assessment plan on senior management etc.

**5. Performance of the Board's Nomination Committee**

In 2012, the Nomination Committee had one meeting and listened to the Y2011 work report of Directors and senior management.

**6. Performance of the Board's Audit Committee**

In 2012, the Audit Committee had 4 meetings, where the members reviewed or listened to 17 proposals including Y2011 Financial report and Y2011 Internal control self assessment report etc, and formulated 5 resolutions. The Committee members believed that the Bank's audit work has followed clear approach focusing on key items. The Committee suggested the Bank enhance policy development and implementation, as well as timely rectification to ensure risk control.

## Corporate Governance

### 8.4 Supervisors and the Board of Supervisors

All the Supervisors have fulfilled their duties with diligence and supervised the duty fulfillment of the Board of Directors and Senior Management as well as the Bank's financial condition, to protect legal rights and interests of shareholders. During 2012, the Board of Supervisors held 6 meetings in total, which examined and approved important proposals including the Bank's regular reports, report on duty fulfillment of the Board of Directors and Senior Management, and work report of the Board of Supervisors, etc, and listened to reports on resolutions made by the Board of Directors, business operation, financial conditions and internal auditing etc.

#### 8.4.1 Special inspection and surveys of the Supervisory Board

During the reporting term, the Supervisory Board of the Company actively carried out special inspections and field visits, to effectively explore its supervision function: (1) organized special sessions on treasury and int'l banking operation, to fully understand the Bank's development in the two aspects; (2) according to Beijing CSRC's "Notice on carrying out self-inspection and self-correction of regulated operation of listed companies in Beijing", led the Bank in its self inspection and correction; (3) visited Zhongguancun Regional, Jinan Regional and ING-BoB Life Insurance Beijing Office for field study, to understand their operation, issues and future development, and proposed comments and suggestions.

#### 8.4.2 Independent comments expressed by Supervisory Board

There were no objective comments expressed by the Supervisory Board during the matters under supervision in the reporting term.

### 8.5 Information Disclosure and Investor Relations Management

During the reporting term, the Bank has been continuously enhancing its investor relations management to keep a close communication with investors. The Bank in total organized 4 press releases on regular results and organized road show activities, to fully disclose its operation and value for investment; it received visits from almost 200 investors and analysts, took initiative to attend investment discussions, carefully listened to inquiry telephones and emails from investors, and enriched the special column on investor relations on its official website, to build a comprehensive communication platform with investors, analysts and small/medium-sized investors.

During the reporting term, the Bank has strictly followed requirement from CSRC and Shanghai Stock Exchange, to regulate its information disclosure and actively promote regular report and interim announcement formulation. (1) Enhanced information disclosure policies: formulated "Bank of Beijing information disclosure guidelines", "Bank of Beijing Investor relations guidelines" and "Bank of Beijing policies of insiders with inside information" etc, and developed a relatively complete information disclosure policy framework, to effectively protect day-to-day operation; (2) Improved the procedure of regular report disclosure, including deciding dates for disclosure, coordination of drafting departments and discussion on report finalization etc, to ensure timely and accurate disclosure; (3) Optimized the overall structure of regular reports, to improve the readability for investors; (4) Paid attention to disclose interim announcement more initiatively, timely and in fair manner, for better transparency. During the reporting term the Bank in total released 28 interim announcements and 4 regular reports. There was no significant accounting error correction, significant omitted information supplementation or business forecast amendment and etc.

The Bank's investors' relation management has been widely recognized by the public. During the reporting term, the Bank was honored as the "Best risk management for investor relations (2012)" from "China Times" and Institutions on legal risk management of Chinese companies of Peking University; the Bank's Y2011 Annual Report received "Silver metal for annual reports of Chinese public companies in main board market" from "Investor China" and The Hong Kong Management Association; the Bank's Secretary to the Board was also awarded as "Top100 Board's secretaries of public companies in main board market (2011)" from "Securities Times" and China Association for Public Companies.

## 8.6 Independent Operation of the Company

The Company has no controlling shareholders or actual controller. The Company is completely independent from its major shareholders with regard of business, personnel, asset, organization and financial. The Company is an independent legal entity with full independency in operation and undertakes its own profit/loss. It has independent and complete independent capacity for business and operation.

## 8.7 Performance Evaluation and the Set-up & Implementation of Incentive & Restrictive Scheme of Senior Managers

The Bank has improved its assessment and incentive measures of senior managers and set up objective-oriented performance management and incentive & restriction mechanism. During the reporting term, the Bank has followed “Bank of Beijing remuneration management rules” and “Bank of Beijing performance assessment management rules” to evaluate its senior managers. It measures the performance of senior managers on a regular basis, based on the operative responsibilities and democratic poll results.

## Section IX Internal Control

### 9.1 Announcement on internal control accountability by the Board

The Board of Directors follows the laws and regulations, as well as Regulator's requirement, such as "Basic Regulation of Corporate Internal Control", "Guidelines of Corporate Internal Control Evaluation" and "Guidelines on Commercial Bank Internal Control", sets up and implements internal control and evaluates the effectiveness.

### 9.2 Internal control construction

#### 9.2.1 Internal control construction evidence

Based on "Basic Regulation of Corporate Internal Control" and supplement guidelines issued by five ministries including Ministry of Finance, "Guidelines on Commercial Bank Internal Control" by CBRC, "Guidelines of Listed Company Internal Control" by Shanghai Stock Exchange, etc, the Bank issued "Guidelines on Internal Control of Bank of Beijing", clarifying the responsibilities of Board of Directors, Board of Supervisors, Senior Management, departments on HO level, branches and sub-branches, as well as internal auditing department in the process of internal control policy making, implementation and monitoring; based on risk identification, it further clarified the requirement on corporate level and business management process level, so as to distribute the internal control responsibility to particular departments and positions; the Bank also set up a comprehensive and systematic evaluation plan, in which it conducts evaluation on the design and effectiveness on a yearly basis via the management's self-evaluation and independent verification by auditing department, in this way to guarantee the internal control system is always effective.

#### 9.2.2 Policy construction

The Bank targets at risk prevention and prudent operation, and established a set of scientific and strict policy structure, including corporate governance, organization setup and authority/responsibility, HR policy and corporate culture; monitor, measure and control the main types of risks and risk management structure and process; set up separation of incompatible positions and responsibilities, delegations, review, accounting system control, property protection, budget and operation analysis, performance assessment, business continuity plan and other internal control measures; internal/external information communication and IT management; as well as daily supervision and special supervision mechanism.

The Bank reinforced the mechanism and raised the quality of internal auditing. It optimizes internal control environment; further solidified 3-layer risk control structure of HO-branches-sub branches, promote risk measurement instrument application and improves refined risk management; based on business development and product development, constantly improves business policies and operation rules, reinforce business system control, improves the internal control mechanism of different businesses. It sticks to the guidance of "attaches importance to both internal control supervision and service management", pushes forward the transfer to risk-oriented audit model, improve the vertical management structure, strengthen IT system construction, and constant improves the independence and validity of auditing work to promote the continuous improvement of the Bank's internal control management.

(For specific report, please refer to "Y2012 Internal Control Evaluation Report of Bank of Beijing")

### 9.2.3 Self-evaluation

The internal control evaluation principle is “process management as the core, combining self-evaluation and independent double review”. The evaluation conducts risk identification and streamlining internal control design. During the evaluation on effectiveness, departments in HO and business units conduct self-evaluation, Auditing Department verifies on the self-evaluation results based on internal/external auditing results and professional perspectives, conduct independent double review and works out general internal control evaluation report.

Within the reporting period, the Bank developed internal control evaluation management system, set up system risk warehouse where risk could map with the internal control matrix, conducted internal control documents real-time demonstration to all business units and staff, conducted system control on the self-evaluation process review record, progress, evaluating unit and accountable person, delinquency identification and follow-up, conducted self evaluation on 56 corporate-level control procedures, 94 business and management procedures covering HO and branches, in terms of internal control design and operation validity.

### 9.2.4 Completeness, rationality and validity of internal control policies

Within the reporting period, based on laws and regulations as well as regulatory requirement, in line with the Bank’s operation environment and business development, the Bank identifies the risks of its main business and management activities, set up internal control measures, build and improve policies and regulations, and conducted self evaluation, the result being “as of Dec 31, 2012, the Bank has sound internal control structure and effective operation, and has further improved in terms of internal control policy and evaluation ability”.

In 2013, with changing environment, increasing business development and management requirement, the Bank will further improve the internal control system, optimize the internal control environment, reinforce risk management and internal control measures, enhance internal supervision, constantly improve internal control management and promote a sound and stable development for the Bank.

### 9.2.5 Relevant information on internal control auditing report

The Company worked out and disclosed “Y2012 Internal Control Evaluation Report”, PwC conducted auditing on the internal control and issued “Internal Control Auditing Report”. The two documents are published on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## 9.3 Development and implementation of “Regulation on Accountability of Significant Errors in Information Disclosed in Annual Report”

Based on “Securities Law of PRC” and CSRC’s “Rules of Information Disclosure Management of Listed Companies”, the Bank worked out “Regulation on Accountability of Significant Errors in Information Disclosed in Annual Report”. The Regulation has detailed description on the process of regular reports procedures of writing, review and disclosure, clarified on the responsibility of the Board, Auditing Committee and independent directors, thus guaranteeing the seriousness of the writing, compliance of review and standard of disclosure of regular reports.










Within the reporting period, the Bank strictly obeyed the Regulation, with compliant annual report, quarterly reports and semi-year report. There is no false statement or significant errors in the information disclosed in annual report due to failure in performance of duty or incorrect performance by the person accountable and no significant economic loss or negative social impact was done to the Bank.

## Section X Honors Received During Reporting Period

Awards	Award Sponsors
Chairman Yan Bingzhu was awarded "2012 Top10 Financial Persons in China"	
Annual Outstanding Board of Directors	
Best Financial Enterprise Image Award	
2012 Annual Top100 Listed Companies on Market Value Management in China	<p>China Center for Market Value Management,</p> 
Chairman Yan Bingzhu was titled "2012 Top10 Innovative Leaders in Chinese Companies"	
Selected as Top500 most valuable brands in China, with brand value of 10.64 billion Yuan	



## Honors Received During Reporting Period

Awards	Award Sponsors
Ranked No. 132 in Top1000 World Banks in terms of tier1 capital	 <small>GLOBAL FINANCIAL ENTREPRENEUR RISK EDGE</small>
2012 Best Risk Management over Investor Relationship Award	 <small>CHINA TIMES</small>
Selected onto 2012 Most Innovative Financial Service Brand Billboard	  <small>Corporate Finance</small>
Top10 Financial Products for Serving Micro and Agriculture-related Enterprises	 <b>中国银行业协会</b> <small>CHINA BANKING ASSOCIATION</small>
Golden Tripod Award – 2012 Annual Potential Private Banking Award and Annual New Prominent Private Banking Award	 <small>每日经济新闻</small> <small>NATIONAL BUSINESS NEWS</small>  Trust and Wealth Management Institute of South western University of Finance and Economics and <a href="http://www.cbene.cn">www. cbene. cn</a>
Annual Best Small and Medium-sized Bank	  <b>中国社会科学院金融研究所</b>
2012 Chinese Banking Sector Annual Good News Award	 <b>中国银行业协会</b> <small>CHINA BANKING ASSOCIATION</small>

## **Section XI Financial Statement**

The Bank's annual financial statements, drafted according to China Accounting Standards, have been audited by PricewaterhouseCoopers Zhongtian Certified Public Accountants, who has issued standard and unqualified auditing reports.

## Section XII Documents for Inspection

12.1 The annual report text with the signatures of the Bank's Directors and Senior Managers.

12.2 The accounting statements with the signatures and chop of the Bank's legal representative and the person in charge of finance function.

12.3 The original of auditor's report with the seal of the accounting firm and the signature and the chop of certified public accountant.

12.4 The original of the internal control auditing report with the chop of the accounting firm and the signature and the chop of certified public accountant.

12.5 The originals of all the documents text and announcements disclosed publicly by the Bank on China Securities, Shanghai Securities News, Securities Times and Securities Daily during the reporting period.

**Appendix:** Bank of Beijing 2012 Annual Auditor's Report and Financial Statements Notes

## 北京银行股份有限公司董事、高级管理人员 关于公司 2012 年年度报告的书面确认意见

根据《证券法》、《公开发行证券的公司信息披露内容与格式准则第 2 号——年度报告的内容与格式》（2012 年修订）相关规定和要求，作为北京银行股份有限公司的董事、高级管理人员，保证本行 2012 年年度报告所披露的信息真实、准确、完整，承诺其中不存在任何虚假记载、误导性陈述或者重大遗漏，并对其内容的真实性、准确性和完整性承担个别及连带责任。

闫冰竹  Ferdinand Jonkman  Michael Knight Ipson  任志强  陆海军  李保仁  王瑞祥  赵瑞安  杨书剑 	严晓燕  Bachar Samra  张征宇  张慧珍  于宁  李健  许宁跃  杜志红 	张东宁  张杰  吴晓球  史建平  姜德耀 
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# **BANK OF BEIJING CO., LTD.**

## **FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2012**

[English translation for reference only. Should there be any inconsistencies between the Chinese and English versions, the Chinese version shall prevail.]



**北京銀行**  
**BANK OF BEIJING**

**BANK OF BEIJING CO., LTD.  
FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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# Auditor's Report

## [English Translation for Reference Only]

PwC ZT Shen Zi (2013) No. 10083

To the Shareholders of Bank of Beijing Co., Ltd.,

We have audited the accompanying financial statements of Bank of Beijing Co., Ltd., (hereinafter "Bank of Beijing"), which comprise the consolidated and bank balance sheets as at 31 December 2012, and the consolidated and bank income statements, the consolidated and bank statements of changes in shareholders' equity and the consolidated and bank cash flow statements for the year then ended, and the notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management of Bank of Beijing is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with China 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the consolidated and bank's financial position of Bank of Beijing as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, the People's Republic of China

25 April 2013

## Consolidated and Bank Balance Sheets

(All amounts expressed in RMB'000 unless otherwise stated)

**CONSOLIDATED AND BANK BALANCE SHEETS**  
**AS AT 31 DECEMBER 2012**

ASSETS	Note VII	Consolidated		Bank	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
Cash and deposits with central bank	1	146,923,009	125,984,465	146,796,702	125,909,500
Due from banks and other financial institutions	2	60,889,427	114,193,383	60,730,417	114,087,708
Precious metals		16,671	-	16,671	-
Placements with banks and other financial institutions	3	74,099,817	96,732,846	74,209,817	96,822,846
Trading assets	4	7,040,694	5,360,628	7,040,694	5,360,628
Derivative financial assets	5	30,317	22,225	30,317	22,225
Assets purchased under resale agreements	6	88,487,945	23,228,642	88,487,945	23,228,642
Interest receivables	7	7,005,354	5,073,159	6,994,758	5,070,814
Loans and advances to customers	8	483,445,288	396,076,918	480,994,444	395,357,799
Available-for-sale financial assets	9	94,983,055	86,303,501	94,983,055	86,303,501
Held-to-maturity investments	10	97,055,045	88,572,964	97,055,045	88,572,964
Investment securities classified as receivables	11	50,311,210	8,576,743	50,311,210	8,576,743
Long-term equity investments	12	1,355,160	1,206,336	1,700,460	1,536,336
Investment properties	13	345,628	220,398	345,628	220,398
Fixed assets	14	3,689,440	2,119,268	3,674,799	2,109,421
Deferred income tax assets	15	2,156,534	1,420,851	2,154,151	1,417,292
Other assets	16	2,134,332	1,406,349	2,117,456	1,395,997
<b>TOTAL ASSETS</b>		<b>1,119,968,926</b>	<b>956,498,676</b>	<b>1,117,643,569</b>	<b>955,992,814</b>

The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:

President:

Chief Financial Officer:





(All amounts expressed in RMB'000 unless otherwise stated)

## Consolidated and Bank Balance Sheets

**CONSOLIDATED AND BANK BALANCE SHEETS (CONT'D)**  
**AS AT 31 DECEMBER 2012**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note VII	Consolidated		Bank	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>LIABILITIES:</b>					
Due to banks and other financial institutions	17	241,199,743	168,043,868	241,252,024	168,095,221
Placements from banks and other financial institutions	18	21,489,236	20,397,770	20,039,236	20,287,770
Derivative financial liabilities	5	32,858	19,536	32,858	19,536
Assets sold under repurchase agreements	19	38,935,985	72,094,646	38,935,985	72,094,646
Customer deposits	20	713,772,465	614,241,181	713,026,640	613,839,923
Salary and welfare payable	21	496,817	596,754	490,123	593,481
Taxes payable	22	1,239,799	1,140,688	1,224,336	1,138,586
Interest payable	23	7,903,544	5,831,238	7,891,226	5,829,546
Provisions	24	39,416	39,307	39,416	39,307
Bonds issued	25	19,972,253	19,962,173	19,972,253	19,962,173
Deferred income tax liabilities	15	-	13	-	-
Other liabilities	26	3,196,096	3,697,979	3,153,774	3,696,296
<b>TOTAL LIABILITIES</b>		<b>1,048,278,212</b>	<b>906,065,153</b>	<b>1,046,057,871</b>	<b>905,596,485</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital	27	8,800,160	6,227,562	8,800,160	6,227,562
Capital surplus	28	25,824,499	15,905,073	25,824,499	15,905,073
Surplus reserve	29	5,445,453	4,282,380	5,445,453	4,282,380
General reserve	30	13,348,925	6,844,932	13,343,638	6,844,932
Retained earnings	31	18,197,749	17,123,394	18,171,948	17,136,382
<b>Capital and reserves attributable to shareholders of the Bank</b>		<b>71,616,786</b>	<b>50,383,341</b>		
<b>Minority interests</b>	<b>32</b>	<b>73,928</b>	<b>50,182</b>		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>71,690,714</b>	<b>50,433,523</b>	<b>71,585,698</b>	<b>50,396,329</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,119,968,926</b>	<b>956,498,676</b>	<b>1,117,643,569</b>	<b>955,992,814</b>

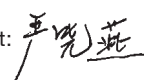
The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:



President:



Chief Financial Officer:



# Consolidated and Bank Income Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## CONSOLIDATED AND BANK INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Items	Note VII	Consolidated		Bank	
		2012	2011	2012	2011
<b>I. Operating Income</b>					
Interest income	34	53,922,242	37,765,697	53,739,977	37,724,946
Interest expense	34	(29,299,452)	(18,993,715)	(29,245,170)	(18,990,513)
Net interest income	34	24,622,790	18,771,982	24,494,807	18,734,433
Fee and commission income	35	2,904,086	1,783,174	2,853,432	1,778,081
Fee and commission expense	35	(231,595)	(170,444)	(229,047)	(169,759)
Net fee and commission income	35	2,672,491	1,612,730	2,624,385	1,608,322
Net gains on investments	36	357,920	176,303	357,920	178,924
Including: Investment income from associate and joint venture		1,993	(61,050)	1,993	(61,050)
Net gains or losses on fair value changes	37	(41,461)	10,820	(41,461)	9,038
Exchange gains		93,871	51,499	93,871	51,499
Other operating income	38	111,249	104,400	113,595	104,392
<b>II. Operating expenses</b>					
Business tax and surcharges	39	(1,951,633)	(1,479,276)	(1,939,966)	(1,477,158)
General and administrative expense	40	(7,171,039)	(5,460,843)	(7,096,857)	(5,420,313)
Impairment losses on assets	41	(3,927,693)	(2,425,339)	(3,900,747)	(2,417,768)
Other operating expense		(11,701)	(11,701)	(11,701)	(11,701)
<b>III. Operating profit</b>					
		<b>14,754,794</b>	<b>11,350,575</b>	<b>14,693,846</b>	<b>11,359,668</b>
Add: non-operating income	42	37,472	63,683	27,310	62,245
Less: non-operating expense	43	(22,731)	(16,776)	(22,542)	(15,422)
<b>IV. Profit before tax</b>					
		<b>14,769,535</b>	<b>11,397,482</b>	<b>14,698,614</b>	<b>11,406,491</b>
Less: Income tax expense	44	(3,085,681)	(2,451,497)	(3,067,882)	(2,451,838)
<b>V. Net profit</b>					
		<b>11,683,854</b>	<b>8,945,985</b>	<b>11,630,732</b>	<b>8,954,653</b>
Attributable to shareholders of the Bank		11,674,808	8,946,703		
Minority interests		9,046	(718)		
<b>VI. Earnings per share (expressed in RMB per share)</b>					
(i) Basic earnings per share	45	1.38	1.20		
(ii) Diluted earnings per share	45	1.38	1.20		
<b>VII. Other comprehensive income</b>					
	46	(665,813)	235,807	(665,813)	235,807
<b>VIII. Comprehensive income</b>					
		<b>11,018,041</b>	<b>9,181,792</b>	<b>10,964,919</b>	<b>9,190,460</b>
Attributable to shareholders of the Bank		11,008,995	9,182,510		
Minority interests		9,046	(718)		

The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:

President:

Chief Financial Officer:



(All amounts expressed in RMB'000 unless otherwise stated)

## Consolidated and Bank Cash Flow Statements

### CONSOLIDATED AND BANK CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Items	Note VII	Consolidated		Bank	
		2012	2011	2012	2011
<b>I. Cash flows from operating activities</b>					
Net increase in customer deposits and due to banks		172,687,159	169,475,443	172,343,520	169,310,414
Net decrease in placements with banks and other financial institutions		-	22,092,581	-	21,912,581
Net increase in placements from banks		-	36,725,971	-	36,615,971
Net decrease in trading assets		-	11,450,537	-	11,402,537
Interests received		44,036,847	30,375,472	43,878,310	30,333,331
Fee and commission received		2,903,408	1,781,543	2,853,432	1,778,081
Cash received from other operating activities		441,371	3,544,083	300,882	3,542,706
<b>Sub-total of operating cash inflows</b>		<b>220,068,785</b>	<b>275,445,630</b>	<b>219,376,144</b>	<b>274,895,621</b>
Net increase in loans and advances to customers		(91,300,004)	(70,876,459)	(89,541,989)	(70,298,550)
Net increase in due from banks and other financial institutions and deposits with central bank		(16,901,627)	(43,310,100)	(16,838,100)	(43,273,232)
Net increase in placements with banks and other financial institutions		(43,530,815)	(66,694,612)	(43,550,815)	(66,784,612)
Net decrease in placements from banks and other financial institutions		(32,037,195)	-	(33,407,195)	-
Net increase in trading assets		(1,451,911)	-	(1,451,911)	-
Interests paid		(26,261,447)	(15,924,391)	(26,219,397)	(15,924,931)
Fee and commission paid		(232,045)	(172,699)	(229,047)	(169,759)
Cash paid to and for employees		(2,730,649)	(2,136,155)	(2,705,788)	(2,120,418)
Tax payments		(5,436,022)	(3,542,630)	(5,421,407)	(3,540,082)
Cash paid for other operating activities		(4,552,800)	(3,232,907)	(4,453,337)	(3,212,536)
<b>Sub-total of operating cash outflows</b>		<b>(224,434,515)</b>	<b>(205,889,953)</b>	<b>(223,818,986)</b>	<b>(205,324,120)</b>
<b>Net cash generated from operating activities</b>	<b>47</b>	<b>(4,365,730)</b>	<b>69,555,677</b>	<b>(4,442,842)</b>	<b>69,571,501</b>
<b>II. Cash flows from investing activities</b>					
Proceeds from disposals of investments		148,943,216	79,784,978	148,943,216	79,784,978
Cash received from investment income		7,985,027	5,080,880	7,985,027	5,080,880
Proceeds from sale of fixed assets and other long term assets		48	203,331	48	203,331
<b>Sub-total of investing cash inflows</b>		<b>156,928,291</b>	<b>85,069,189</b>	<b>156,928,291</b>	<b>85,069,189</b>
Purchases of investments		(208,604,231)	(115,488,630)	(208,604,231)	(115,488,630)
Increase in investment in subsidiaries, associates and joint ventures		(100,000)	(125,000)	(115,300)	(145,000)
Purchases of fixed assets and other long-term assets		(3,027,028)	(1,343,457)	(3,016,262)	(1,334,355)
<b>Sub-total of investing cash outflows</b>		<b>(211,731,259)</b>	<b>(116,957,067)</b>	<b>(211,734,673)</b>	<b>(116,967,985)</b>
<b>Net cash generated from investing activities</b>		<b>(54,802,968)</b>	<b>(31,887,878)</b>	<b>(54,806,522)</b>	<b>(31,898,796)</b>

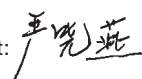
The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:



President:



Chief Financial Officer:



## Consolidated and Bank Cash Flow Statements

(All amounts expressed in RMB'000 unless otherwise stated)

### CONSOLIDATED AND BANK CASH FLOW STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2012

Items	Note VII	Consolidated		Bank	
		2012	2011	2012	2011
<b>III. Cash flows from financing activities</b>					
Cash received from investment		14,700	30,000	-	-
Proceeds from issuance of shares		11,691,144	-	11,691,144	-
Proceeds from issuance of debt securities		-	3,500,000	-	3,500,000
Sub-total of financing cash inflows		11,705,844	3,530,000	11,691,144	3,500,000
Interests paid on debt securities		(954,000)	(707,250)	(954,000)	(707,250)
Dividends paid		(1,466,363)	(1,342,656)	(1,466,363)	(1,342,656)
Sub-total of financing cash outflows		(2,420,363)	(2,049,906)	(2,420,363)	(2,049,906)
<b>Net cash generated from financing activities</b>		<b>9,285,481</b>	<b>1,480,094</b>	<b>9,270,781</b>	<b>1,450,094</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>		<b>(53,060)</b>	<b>(228,054)</b>	<b>(53,060)</b>	<b>(228,054)</b>
<b>V. Net decrease or increase in cash and cash equivalents</b>		<b>(49,936,277)</b>	<b>38,919,819</b>	<b>(50,031,643)</b>	<b>38,894,745</b>
Add: cash and cash equivalents at beginning of year		119,680,515	80,760,696	119,556,486	80,661,741
<b>VI. Cash and cash equivalents at end of year</b>	47	<b>69,744,238</b>	<b>119,680,515</b>	<b>69,524,843</b>	<b>119,556,486</b>

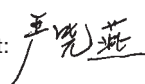
The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:



President:



Chief Financial Officer:



(All amounts expressed in RMB'000 unless otherwise stated)

## Consolidated Statement of Changes in Shareholders' Equity

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Note VII	Capital and reserves attributable to shareholders of the Bank						Total
		Share capital	Capital surplus	Surplus reserve	General reserve	Retained earnings	Minority interests	
<b>I. Balance as at 1 January 2012</b>		6,227,562	15,905,073	4,282,380	6,844,932	17,123,394	50,182	50,433,523
<b>II. Net changes for the year</b>								
(1) Net profit for the year		-	-	-	-	11,674,808	9,046	11,683,854
(2) Other comprehensive income								
a. reserves for fair value changes of available-for-sale financial assets								
(i) recognised in shareholders' equity	46	-	(519,199)	-	-	-	-	(519,199)
(ii) transferred to the income statement	46	-	(431,006)	-	-	-	-	(431,006)
b. share of other comprehensive income of associates and joint ventures under equity method	46	-	46,841	-	-	-	-	46,841
c. related tax impact	15	-	237,551	-	-	-	-	237,551
Sub-total of above (1) and (2)	-	(665,813)	-	-	11,674,808	9,046	11,018,041	
(3) Rights issue and capital deduction								
a. Rights issue	27, 28	1,105,905	10,585,239	-	-	-	14,700	11,705,844
b. Share-based payment included in shareholders' equity	33	1,466,693	-	-	-	-	-	1,466,693
(4) Profit distribution								
a. appropriation to surplus reserve	29	-	-	1,163,073	-	(1,163,073)	-	-
b. appropriation to general reserve	30	-	-	-	6,503,993	(6,503,993)	-	-
c. cash dividends	33	-	-	-	-	(2,933,387)	-	(2,933,387)
<b>III. Balance as at 31 December 2012</b>		<b>8,800,160</b>	<b>25,824,499</b>	<b>5,445,453</b>	<b>13,348,925</b>	<b>18,197,749</b>	<b>73,928</b>	<b>71,690,714</b>

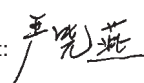
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## Consolidated Statement of Changes in Shareholders' Equity

(All amounts expressed in RMB'000 unless otherwise stated)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Capital and reserves attributable to shareholders of the Bank							Total
	Note VII	Share capital	Capital surplus	Surplus reserve	General reserve	Retained earnings	Minority interests	
<b>I. Balance as at 1 January 2011</b>		6,227,562	15,669,266	3,386,914	4,962,087	12,300,155	20,900	42,566,884
<b>II. Net changes for the year</b>								
(1) Net profit for the year		-	-	-	-	8,946,703	(718)	8,945,985
(2) Other comprehensive income								
a. reserves for fair value changes of available-for-sale financial assets								
(i) recognised in shareholders' equity	46	-	725,732	-	-	-	-	725,732
(ii) transferred to the income statement	46	-	(364,489)	-	-	-	-	(364,489)
b. share of other comprehensive income of associates and joint ventures under equity method	46	-	(35,125)	-	-	-	-	(35,125)
c. related tax impact	15	-	(90,311)	-	-	-	-	(90,311)
Sub-total of above (1) and (2)		-	235,807	-	-	8,946,703	(718)	9,181,792
(3) Rights issue and capital deduction								
a. Rights issue		-	-	-	-	-	30,000	30,000
(4) Profit distribution								
a. appropriation to surplus reserve	29	-	-	895,466	-	(895,466)	-	-
b. appropriation to general reserve	30	-	-	-	1,882,845	(1,882,845)	-	-
c. cash dividends	33	-	-	-	-	(1,345,153)	-	(1,345,153)
<b>III. Balance as at 31 December 2011</b>		6,227,562	15,905,073	4,282,380	6,844,932	17,123,394	50,182	50,433,523

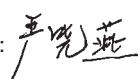
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(All amounts expressed in RMB'000 unless otherwise stated)

## Bank Statement of Changes in Shareholders' Equity

### BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Note VII	Share capital	Capital surplus	Surplus reserve	General reserve	Retained earnings	Total
<b>I. Balance as at 1 January 2012</b>		6,227,562	15,905,073	4,282,380	6,844,932	17,136,382	50,396,329
<b>II. Net changes for the year</b>							
(1) Net profit for the year		-	-	-	-	11,630,732	11,630,732
(2) Other comprehensive income							
a. reserve for fair value changes of available-for-sale financial assets							
(i) recognised in shareholders' equity	46	-	(519,199)	-	-	-	(519,199)
(ii) transferred to the income statement	46	-	(431,006)	-	-	-	(431,006)
b. share of other comprehensive income of associates and joint ventures under equity method	46	-	46,841	-	-	-	46,841
c. related tax impact	15	-	237,551	-	-	-	237,551
Sub-total of above (1) and (2)		-	(665,813)	-	-	11,630,732	10,964,919
(3) Rights issue and capital deduction							
a. Rights issue	27, 28	1,105,905	10,585,239	-	-	-	11,691,144
b. Share-based payment included in shareholders' equity	33	1,466,693	-	-	-	-	1,466,693
(4) Profit distribution							
a. appropriation to surplus reserve	29	-	-	1,163,073	-	(1,163,073)	-
b. appropriation to general reserve	30	-	-	-	6,498,706	(6,498,706)	-
c. cash dividends	33	-	-	-	-	(2,933,387)	(2,933,387)
<b>III. Balance as at 31 December 2012</b>		8,800,160	25,824,499	5,445,453	13,343,638	18,171,948	71,585,698

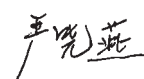
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## Bank Statement of Changes in Shareholders' Equity

(All amounts expressed in RMB'000 unless otherwise stated)

### BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Note VII	Share capital	Capital surplus	Surplus reserve	General reserve	Retained earnings	Total
<b>I. Balance as at 1 January 2011</b>		<b>6,227,562</b>	<b>15,669,266</b>	<b>3,386,914</b>	<b>4,962,087</b>	<b>12,305,193</b>	<b>42,551,022</b>
<b>II. Net changes for the year</b>							
(1) Net profit for the year		-	-	-	-	8,954,653	8,954,653
(2) Other comprehensive income							
a. reserves for fair value changes of available-for-sale financial assets							
(i) recognised in shareholders' equity	46	-	725,732	-	-	-	725,732
(ii) transferred to the income statement	46	-	(364,489)	-	-	-	(364,489)
b. share of other comprehensive income of associates and joint ventures under equity method	46	-	(35,125)	-	-	-	(35,125)
c. related tax impact	15	-	(90,311)	-	-	-	(90,311)
Sub-total of above (1) and (2)		-	235,807	-	-	8,954,653	9,190,460
(3) Profit distribution							
a. appropriation to surplus reserve	29	-	-	895,466	-	(895,466)	-
b. appropriation to general reserve	30	-	-	-	1,882,845	(1,882,845)	-
c. cash dividends	33	-	-	-	-	(1,345,153)	(1,345,153)
<b>III. Balance as at 31 December 2011</b>		<b>6,227,562</b>	<b>15,905,073</b>	<b>4,282,380</b>	<b>6,844,932</b>	<b>17,136,382</b>	<b>50,396,329</b>

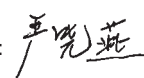
The accompanying notes form an integral part of these financial statements.

Legal representative,

Chairman of the Board:



President:



Chief Financial Officer:





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

## I GENERAL INFORMATION

Bank of Beijing Co., Ltd. (the “Bank”) was established in Beijing, the People’s Republic of China (the “PRC”) as approved by the People’s Bank of China (“PBOC”) on 28 December 1995, originally known as Beijing Urban Cooperative Bank. On 28 September 2004, the Bank was renamed as Bank of Beijing Co., Ltd. with the approval from the China Banking Regulatory Commission (“CBRC”) Beijing Bureau. The Bank is licensed to operate in Beijing as a financial institution by the CBRC license number B0107H211000001, and is registered as a business enterprise with the Beijing Branch of the State Administration of Industry and Commerce with the business registration number 110000005064399. The office address is first floor of A17, Financial Street, Xicheng District, Beijing.

On 19 September 2007, the Bank issued ordinary shares and was listed on the Shanghai Stock Exchange.

The Bank and its subsidiaries (together “the Group”) provide a full range of financial services, including corporate banking, personal banking, treasury operations and others.

The financial statements have been approved by the Board of Directors on 25 April 2013.

## II BASIS OF PREPARATION

The financial statements comply with the Accounting Standards for Business Enterprises General Standards and the 38 specific accounting standards issued by the Ministry of Finance (“ASBE”) on 15 February 2006, the implementation guidance on and interpretations of the Accounting Standards for Business Enterprises and other relevant rules and regulations subsequently released (collectively “CAS”), and Preparation Conventions of Information Disclosure by Public Offering Company No. 15 - General Rules for Financial Reporting (2010 revised) issued by China Securities Regulatory Commission (“CSRC”).

## III STATEMENT OF COMPLIANCE WITH CAS

The consolidated and Bank financial statements for the year ended 31 December 2012 prepared by the Bank comply with CAS, and present fairly and completely the financial position of the Group and Bank as at 31 December 2012, the financial performance, cash flows and other relevant information of the Group and the Bank for the year then ended.

## IV SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (I) Significant accounting policies

#### 1 Accounting period

The Group’s accounting year starts on 1 January and ends on 31 December.

#### 2 Recording currency

The Group’s recording currency is Renminbi (hereinafter referred to as “RMB”).

#### 3 Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

The subsidiaries are fully consolidated from the date on which the Bank obtains control and is de-consolidated from the date when such control ceases.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Bank during the preparation of the consolidated financial statements, where there are inconsistencies in the accounting policies and accounting periods.

All significant inter-bank balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the year not attributable to the Bank are recognised as minority interests and presented separately in the equity of the consolidated balance sheet and net profit.

### 4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 5 Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated into RMB at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated into RMB using the foreign exchange rates at the date of the transaction. The effect of foreign exchange rates changes on cash is presented separately in the cash flow statement.

### 6 Financial assets

#### (1) Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories at initial recognition: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

Financial assets and financial liabilities at fair value through profit or loss (cont'd)

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

A financial asset or financial liability meeting either of the following criteria should be classified as held for trading:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern of short-term profit-making; or
- Derivatives unless they are designated and effective as hedging instruments, financial guarantee contract, or related to an equity investment that is not quoted in an active market and not carried at fair value, and settled by delivering the equity investment. Derivatives are listed in the balance sheet as “derivative financial instrument assets” or “derivative financial instrument liabilities.

A financial asset or financial liability meeting either of the following criteria could be designated as at fair value through profit or loss on initial recognition:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or recognising the gains and losses on them on different bases; or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information is provided internally on that basis to key management personnel; or
- Financial assets and financial liabilities containing one or more embedded derivatives which significantly modify the cash flows and for which separation of the embedded derivative is not prohibited on initial consideration.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and that are not designated as at fair value through profit or loss, available-for-sale or loans and receivables on initial recognition.

The Group shall not classify any financial assets as held-to-maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than restricted circumstances such as sales or reclassifications due to a significant deterioration in the issuer's creditworthiness or industry's regulatory requirements.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including deposits with central bank, due from banks and other financial institutions, placements with banks and other financial institutions, assets purchased under resale agreements, loans and advances to customers, investment receivables and part of other receivables.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition.

### Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified or designated as financial liabilities

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

at fair value through profit or loss including due to banks and other financial institutions, placements from banks, assets sold under repurchase agreements, customer deposits, debt securities in issue, etc.

### (2) Recognition and measurement

Financial assets and financial liabilities are recognised at fair value on the balance sheet on trade-date, the date when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets and financial liabilities at fair value through profit or loss, the related transaction costs occurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets and financial liabilities are included in their initial recognition amounts.

Financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Loans and receivables, held-to-maturity investments and other financial liabilities are measured and subsequently measured at amortised cost using the effective interest method.

A gain or loss arising from a change in the fair value (except accrued interest income) of financial assets at fair value through profit or loss is recognised as “gains or losses on fair value changes” in the income statement. Interests received during the period in which such financial assets are held, as well as the gains or losses arising from the disposal of the assets are recognised as “interest income” and “gains or losses on investments” in the income statement. The profit or loss arising from a change in the fair value (except accrued interest expense) of financial liabilities at fair value through profit or loss is recorded in “Gains or losses on fair value changes” in the income statement.

Gains or losses arising from changes in fair value of an available-for-sale financial asset are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from the foreign translation of monetary financial assets. When such financial asset is derecognised, the cumulative gains or losses previously recognised in equity are recognised in profit or loss for the current period. Interests that calculated using the effective interest rate method are recognised as “interest income” in the income statement.

### 7 Impairment of financial assets

The Group assesses the carrying amount of all financial assets or a group of financial assets on each balance sheet date except for financial assets at fair value through profit or loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The objective evidences used by the Group to recognise whether impairment exists are as follows:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- the disappearance of an active market for that financial assets because of financial difficulties;
- 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,

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property price for the mortgages in the relevant area or national or local economic conditions that correlate with defaults on the assets in the group;

- 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;
- a significant or prolonged decline in the fair value of equity instrument investments is an indicator of impairment in such investments where a decline in the fair value of equity instrument below its initial cost by 50% or more, or fair value below cost for one year or longer, or a decline in the fair value of equity instrument below its initial cost by 20% or more and by 50% or less but deemed as impaired after considering other related factors such as price fluctuations;
- other objective evidence indicating impairment of the financial asset.

## (1) Assets carried at amortised costs

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that objective evidence of impairment exists for an individually assessed financial asset, the financial assets that are individually significant will be recognised in the profit or loss as "Impairment losses on assets". For financial assets that are not individually significant or that have no objective evidence of impairment after the individual assessment, the Group includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and 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 and recognised as "Impairment losses on assets" in the income statement. Original effective interest rate is the effective interest rate computed at initial recognition. For financial asset with a variable interest rate, the discount rate for measuring future cash flows is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets have reflected and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

When a loan is uncollectible, it is written off against the related allowance for impairment after all the necessary procedures have been completed. Subsequent recoveries of amounts previously written off decrease the amount of "Impairment losses on assets" in the income statement.

If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement of credit rating of the debtor), the previously recognised impairment loss is reversed and recognised as "Impairment losses on assets" in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

### (2) Available-for-sale financial assets

If available-for-sale financial assets impair, the accumulative losses arising from the decrease of the fair value, which was originally directly included the other comprehensive income, shall be transferred into income statement as impairment losses. The cumulative losses are measured as the net value after the initial recognition cost less collected principal, amortised amount, current fair value and impairment losses which are originally recorded in the profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement and recognised as "Impairment losses on assets".

With respect to equity instruments, impairment losses recognised in the income statement are not subsequently reversed through the income statement. If there is objective evidence that an impairment loss has been incurred on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the impairment loss is not reversed.

### 8 Determination of fair value for financial instruments

If there is an active market for financial instruments, the quoted market prices in the active market shall be used to determine the fair value. If there is no active market for financial instruments, the Group determines the fair value using a valuation technique. The valuation techniques include using recent market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The Group uses observable data except for certain factors directly related with the Group in the valuation models if actual operation permits.

### 9 Offsetting financial instruments

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

### 10 De-recognition of financial assets

The financial assets are derecognised when one of the following criteria is met: (1) the contractual rights to receive the cash flows from the financial assets have expired; (2) the financial assets have been transferred, and all substantial risks and rewards of ownership of the financial assets have been transferred; or (3) the financial assets have been transferred and the Group gives up the control over the financial assets, although it neither transfers nor retains substantially all risks and rewards of ownership of the financial assets.

The Group fully or partially derecognises the financial liabilities when the obligations are fully or partially released. The difference between the carrying value and the consideration paid is recorded into the income statement.

When the financial assets and financial liabilities are derecognised, the difference between the book value and consideration and the accumulated fair value change accounted in equity via other comprehensive income, is recognised in the income statement of the current period.

## Notes to the Financial Statements

### 11 Precious metals

Precious metals mainly comprise gold. The Group's precious metals are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains or losses" are recognised in the income statement.

### 12 Derivative financial instruments and embedded derivatives

Derivative financial instruments include forward contracts, financial swaps and options, as well as instruments which have one or more characteristics of the above financial instruments. A derivative financial instrument has all of the following characteristics:

- Its value changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in those market factors; and
- It is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. The gains or losses from the valuation of the financial instruments as a result of the fluctuation of their fair value in the current period are recorded in the income statement of the current period, and reflected in the balance sheet as "derivative financial instrument assets" or "derivative financial instrument liabilities".

An embedded derivative financial instrument is a derivative financial instrument embedded in a non-derivative host contract (the "host contract"), and the derivative financial instrument causes some or all of the cash flows that otherwise would be required by the contract to be modified, according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, such as the conversion option for the holder of a convertible bond.

If a contract contains embedded derivatives but the entire hybrid contract is not designated as a financial asset or financial liability at fair value through profit or loss, the Group separates embedded derivatives from the host contract and accounts for these as derivatives, if, and only if:

- (i) The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (ii) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

If those embedded derivatives separated from the host contract, but are unable to measure separately either at acquisition or at a subsequent financial reporting date, the Group designate the entire hybrid contract as at fair value through profit or loss.

After an embedded derivative is separated from its host contract, the host contract, shall be accounted for as a financial asset or financial liability where appropriate.

### 13 Resale and repurchase agreements

Securities, bills and other financial assets sold subject to repurchase agreements ("Repos") are not de-recognised and continue to be recorded in corresponding balance sheet items. The counterparty liability is included in "Assets sold under repurchase agreements". Securities, bills and other financial assets purchased under agreements to re-sell ("Reverse repos") are not recognised. The counterparty receivables are recorded as "Assets purchased under resale agreement".

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

### 14 Long-term equity investments

Long-term equity investments include the Bank's long-term equity investments to subsidiary, the Group's long-term

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

investments to joint venture, associate and other investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiary is the entity over which the Bank has control. Joint venture is the entity which the Group has a contractual arrangement with one or more parties to joint control. Associate is the entity which the Group has significant influence on its financial and operating policy decisions.

Investment in the subsidiary is measured using the cost method in the Bank's financial statements, and adjusted using the equity method when preparing the consolidated financial statements. The Bank uses the equity method for accounting investment in associate and joint venture. For the long-term equity investments which the Bank does not exercise control, joint control or significant influences over the investees, and which are not quoted in the active market and whose fair value cannot be reliably measured are accounted for using the cost method.

### (1) Initial recognition, subsequent measurement and recognition method of profit or loss

Under the cost method, long-term equity investment is measured at its initial investment cost. Cash dividends or profit distributions declared by the investee shall be recognised as investment income in current period.

Under the equity method, if the initial investment cost exceeds the Group's interest in the fair value of the investee's identifiable net assets, the initial investment cost of the long-term equity investment shall not be adjusted. Where the initial cost of a long-term equity investment is less than the Bank's interest in the fair value of the investee's identifiable net assets, the difference is charged to profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly. The Group recognises the investment income based on its share of net profit or loss of the investee and makes appropriate adjustments to the share of the investee's profits or loss based on the identifiable net assets at acquisition. The investee's net loss incurred is recognised until the carrying amount of the long-term equity investment is reduced to zero. For changes in owners' equity of the associate other than those arising from its net profit or loss, the Bank records directly in other comprehensive income its proportion. The carrying amount of the investment is reduced by the Group's share of the profit or cash dividends declared by the associate.

### (2) Basis to determine "Control", "Joint Control" or "Significant Influence"

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The potential voting rights including currently exercisable convertible bonds and share warrants are considered when assessing whether an entity controls another entity.

Joint Control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

Significant Influence is the power to participate in the financial and operating policy decisions of the investee but is not Control or Joint Control together with other parties over the formulation of these policies.

### (3) Impairment of long-term equity investment

For long-term equity investment in subsidiary, joint venture, and associate, the carrying amount is reduced to its recoverable amount when the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value of long-term equity investment less costs to sell and the present value of the future cash flows expected to be derived from the investments. For the impairment of long-term equity instruments that are not quoted in an active market or whose fair value cannot be reliably measured, the impairment amount is the difference between the carrying value and the estimated future cash flow which was calculated by the similar market yield rate. The recognised impairment loss cannot be reversed.



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

The Group's investment in joint venture includes goodwill which represents the excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired.

### 15 Investment properties

Investment properties referring to the land use rights that have already been rented and the real estates that are held for renting or are under construction and supposed to be rented, are initially measured at its cost. Subsequent expenditures incurred for investment properties are included in the cost of the investment properties when meeting the recognition criteria for assets such as the economic benefits relating to the investment properties are likely to flow into the Group and the expenditures can be reliably measured, otherwise the expenditures are included in the income statement in the period in which they are incurred.

Investment properties are subsequently measured using the cost model, and are depreciated on a straight line basis to the estimated net residual rate over their estimated useful life. The expected useful life ranges from 20 to 30 years, and estimated net residual rate is 5%.

The estimated useful life, the estimated net residual value and the depreciation method applied to the investment properties are reviewed and adjusted as appropriate at least at each balance sheet date.

When the recoverable value of the investment properties is lower than the carrying value, the carrying value is deducted to the recoverable value.

### 16 Fixed assets

#### (1) Recognition and initial measurement of fixed assets

Fixed assets include buildings, office equipments and motor vehicles.

The fixed assets are recognised when it is probable that the economic benefits associated with the fixed assets will flow to the Group and its cost can be reliably measured. Fixed assets purchased or newly constructed are initially measured at cost.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. All the other subsequent expenditures are recognised in the income statement in the period in which they are incurred.

#### (2) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For fixed assets being provided for impairment losses, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The expected useful life of fixed assets, the net residual rate and depreciation rate are as follows:

	Estimated useful life	Estimated net residual rate	Annual depreciation rate
Buildings	20-30 years	5%	3.17% to 4.75%
Office equipments	5-10 years	5%	9.50% to 19.0%
Motor vehicles	5 years	5%	19%

The estimated useful life, the estimated net residual value and the depreciation method applied to the fixed asset are reviewed and adjusted as appropriate at each balance sheet date.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

(3) The book value of fixed asset is written down to recoverable amount when the recoverable amount is lower than the carrying amount.

### (4) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in “non-operating income” or “non-operating expense” in the income statement.

### (5) Construction in progress

Construction in progress is stated at cost. The cost comprises construction cost, installation cost, interest expenses from financing and other costs which make the project ready for use.

Construction in progress is transferred to fixed assets when it is ready for the intended use, and the depreciation will be provided for from the following month.

The book value of construction in progress is written down to the recoverable amount when the recoverable amount is lower than the carrying amount.

## 17 Long-term prepaid expenses

Long-term prepaid expenses include improvements of operating leased fixed assets, expenditures which have been paid and with an amortisation life of more than one year. They are amortised evenly on the straight-line basis over the beneficiary period, and carried at expenditure paid less amortisation.

## 18 Foreclosed assets

Foreclosed assets are initially recognised at fair value when settling loans and receivables or interest receivables. Transaction costs that are attributable to the acquisition of foreclosed assets are included in their initial recognition amounts. When there is an indication that the recoverable amount of a foreclose asset is lower than the book value, the Group writes down the book value to its recoverable amount.

## 19 Impairment of non-financial assets

The Group tests for impairment on fixed assets, construction in progress, investment properties measured using the cost model, Long-term equity investments, etc, when any impairment indicator exists at balance sheet date. When the result of the impairment test indicates that the recoverable amount of the asset is lower than the carrying amount, the difference is included in the income statement as impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the assets. Impairment of assets is determined on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once an impairment loss is recognised, it shall not be reversed in the subsequent periods.

## 20 Employee compensation and benefits

### (1) Employee compensation

Employee compensation mainly includes wages or salaries, bonuses, allowances and subsidies, staff welfare, social security benefits, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for services rendered by employees.

Employee compensation is recognised in “general and administrative expenses” in the income statement in the accounting period in which an employee has rendered service.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

### (2) Staff social security benefits

The Group participates in employee social security plans, including pension, medical, housing and other social welfare benefits, organised and administered by the government authorities.

In accordance with relevant regulations and contracts, the premiums and the housing benefits contributions are calculated based on percentages of the total salary of employees, subject to certain ceilings, and are paid to the human resources and social security authorities, the related costs are recognised as “general and administrative expenses” in the income statement when incurred.

### (3) The annuity plan

In addition to the basic employee pension schemes, employees who retire after 1 October 2011 are eligible to voluntarily participate in the Bank of Beijing Annuity Plan (“Annuity Plan”) which was established by the Bank. The Bank contributes to the Annuity Plan based on certain percentages of the employees’ gross salaries. The contribution is recognised as “general and administrative expense” in the income statement.

### (4) Retirement benefit obligations

The Group pays supplemental retirement benefits to retired employees and employees who have accepted an early retirement arrangement. The supplemental retirement benefits include supplemental pension payments and medical expense coverage.

The liability related to the above retirement benefit obligation is calculated by using assumptions and recorded as a liability under “salary and welfare payable” in the balance sheet. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised as “general and administrative expenses” in the income statement.

## 21 Dividends distribution

The cash dividends are recognised as liability as per the resolution of the meeting of the Board of Directors.

## 22 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). The deductible losses that can be carried forward to deduct the taxable profit in subsequent years in accordance with the tax law are regarded as the temporary difference and for which a deferred income tax asset is recognised. At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled.

Deferred income tax assets are recognised for deductible temporary differences and deductible losses and tax credits to the extent that it is probable that the Group’s future taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred income tax assets and deferred income tax liabilities are presented as the net amount after offsetting if, and only if, certain conditions are satisfied include:

- Deferred income tax assets and deferred income tax liabilities is associated with the income tax that collected from the same tax payers in the Group by the same tax collection authorities;
- The Group has a legally enforceable right to set off current tax assets against current tax liabilities.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

### 23 Leases

Leases where the Group has transferred substantially all the risks and rewards of ownership are classified as finance leases. All leases other than finance leases are classified as operating leases.

The rental expense for operating leases of the Group is charged in “general administrative expenses” in the income statement on a straight-line basis over the period of the lease.

### 24 Provisions

A present obligation related to contingencies such as outstanding litigation and onerous contracts is recognised as provision when 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.

Provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate.

The carrying amount of provision is reviewed at each balance sheet date and adjusted to reflect the current best estimation.

### 25 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments, except derivatives, are recognised within “interest income” and “interest expense” in the income statement using the effective interest method. Interest income and expense for derivatives is recognised as “gains or losses on investments” in the income statement.

The effective interest rate method is a method for calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that 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 amount paid or received by the Group that are an integral part of effective interest rate, including 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.

### 26 Fees and commission income and expense

Fees and commission income and expense are generally recognised on an accrual basis when the service has been provided.

### 27 Fiduciary activities

The Group commonly acts as a trustee, which results in its holding or placing assets on behalf of trusts, other institutions, and retail customers. These assets are not included in the statement of financial statements of the Group, as they are not assets of the Group.

Entrusted loans are those funded by Group's customers (the principals) who also assume the risks of the loans, and disbursed by the Group as the agent (the trustee) in accordance with the conditions specified by the principals with regard to the potential borrowers, purposes, amounts, tenors and interest rates and collected by the Group. The risk of loss is borne by the principals. The Group charges a commission related to its activities in connection with the entrusted loans, but not make advances or bear credit risk.

## Notes to the Financial Statements

### 28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortization calculated and the best estimate of the expenditure required to settle any financial obligation arising at the financial reporting date. Any increase in the liability relating to guarantees is taken to the income statement. These estimates are determined based on experience of similar transactions, historical losses and by the judgement of management.

### 29 Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future or events, or is a present obligation arising from past transactions or 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.

### 30 Segment reporting

The Group identifies business segments on the basis of its internal organisational structure, management requirement, and internal reporting system, and then the Group identifies the reporting segments and discloses segmental information based on business segments.

An operating segment is a component of the Group:(1) that engages in business activities from which it may earn revenues and incur expenses; (2) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information, including financial position, operating results and cash flows, is available. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

## (II) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is impracticable to determine the effect of changes to either the key assumptions discussed below or other estimation uncertainties. It is possible that actual results may be materially different from the estimates and judgements referred below.

### 1 Impairment allowance for loans and receivables

The Group reviews its loan portfolio to assess impairment on a periodic basis, unless known circumstances indicate that impairment may have occurred as at an interim date.

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements and assumptions when calculating loan impairment allowances related to loans and advances. These allowances, which reflect the difference between the carrying amount of a loan, or a portfolio of similar loans, and the present value of estimated future cash flows, are assessed individually, for significant loans, and collectively, for smaller portfolios of similar loans.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

The estimate of future cash flows is most significantly related to impaired loans for which the impairment loss is assessed individually. Factors affecting this estimate including, among other things, the granularity of financial information related to specific borrowers, the availability of meaningful information related to industry competitors and the relevance of sector trends to the future performance of individual borrowers. China continues to experience rapid economic growth and these facts are not as well established as those in more developed markets. The effect of these factors requires significant judgement to be applied in the estimation of future cash flows. This is especially true in emerging sectors.

Significant judgement is also applied to the calculation of collectively assessed impairment allowances. The Group makes judgements 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 and advances 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 regional economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with similar 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. The Group has considered the impact of the changes and uncertainty in the macro-economic environments in which the Group operates when assessing the methodology and assumptions used for loss estimates and made adjustments where appropriate.

### 2 Fair value of financial instrument

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

### 3 Impairment of available-for-sale financial assets, held-to-maturity investments and investment securities classified as receivables

The Group determines when an available-for-sale financial asset, held-to-maturity investment and investment security classified as receivables is impaired and when impairment is reversed. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the extent to which changes in fair value relate to credit events, and the financial health of and near-term business outlook for the investee/underlying portfolio, including factors such as industry and sector performance, technological innovations, credit ratings, delinquency rates, loss coverage ratios and counterparty risk.

### 4 Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity date as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

**5 Provisions**

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the financial statements.

**6 Retirement benefit obligations**

The Group has established liabilities in connection with benefits payable to certain retired and early retired employees. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately in expense when occurred. Management believes that its assumptions are appropriate, while differences in actual experience or changes in assumptions may affect the Group's expense related to its employee retirement.

**7 Income tax**

During the ordinary operating activities, the final tax treatments of lots of transactions and matters are uncertain. When accruing the income tax expense, the Group needs to make significant judgement. If the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the amount of income tax expense and deferred tax in the period in which such determination is made.

**V TAXATION**

The Group's major applicable taxes, tax rates and taxable bases are as follows:

Tax types	Tax rates	Taxable basis
Enterprise income tax	25%	Taxable income
Business tax	5%	Taxable turnover
City construction and maintenance tax	5%-7%	Business tax paid
Educational surcharges	3%	Business tax paid
Local educational surcharges	2%	Business tax paid

**VI SUBSIDIARIES**

Subsidiaries included in the consolidation as at 31 December 2012 are listed as below.

	Registration address	Registered capital in thousand	Business nature and operating scope	Shares held	Voting rights	Capital invested as at 31 December 2011	Capital invested as at 31 December 2012	Included in the consolidation or not
Beijing Yanqing Rural Bank <sup>(1)</sup>	Beijing China	30,000	Commercial Banking Business	33.33%	60%	10,000	10,000	yes
Bank of Beijing Consumer Finance Company <sup>(2)</sup>	Beijing China	300,000	Consumer Finance Business	100%	100%	300,000	300,000	yes

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

	Registration address	Registered capital in thousand	Business nature and operating scope	Shares held	Voting rights	Capital invested	Capital invested	Included in the consolidation or not
						as at 31 December 2011	as at 31 December 2012	
<b>by Bank</b>								
Zhejiang Wencheng BoB Rural Bank <sup>(3)</sup>	Zhejiang China	50,000	Commercial Banking Business	40%	60%	20,000	20,000	yes
Nong'an BoB Rural Bank <sup>(4)</sup>	Jilin China	30,000	Commercial Banking Business	51%	60%	-	15,300	yes

<sup>(1)</sup> Hereinafter referred to as "Yanqing Rural Bank"<sup>(2)</sup> Hereinafter referred to as "BoB Consumer Finance"<sup>(3)</sup> Hereinafter referred to as "Zhejiang Wencheng"<sup>(4)</sup> Hereinafter referred to as "Nong'an BoB"

## VII NOTES TO THE FINANCIAL STATEMENTS

## 1 Cash and deposits with central bank

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Cash	3,355,272	2,682,215	3,340,879	2,677,755
Statutory reserves with central bank	121,976,772	113,145,752	121,910,850	113,089,142
Surplus reserves with central bank	21,510,328	10,066,797	21,464,336	10,052,902
Fiscal deposits with central bank	80,637	89,701	80,637	89,701
Total	146,923,009	125,984,465	146,796,702	125,909,500

The Group places mandatory reserve funds with the PBOC. The statutory reserve cannot be used in the daily business activities. As at 31 December 2012, mandatory reserve funds placed with the PBOC were calculated at 18% (31 December 2011: 19%) and 5% (31 December 2011: 5%) of eligible RMB deposits and foreign currency deposits from customers respectively. The mandatory reserve funds for Yanqing Rural Bank and Zhejiang Wencheng RMB deposits were calculated at 14% (31 December 2011: 15%). The mandatory reserve funds for Nong'an BoB RMB deposits were calculated at 13% (31 December 2011: not applicable).

## 2 Due from banks and other financial institutions

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Term deposits with domestic banks and other financial institutions	55,283,708	108,343,920	55,129,078	108,336,920
Demand deposits with domestic banks and other financial institutions	3,927,887	4,604,246	3,923,507	4,505,571
Demand deposits with overseas banks and other financial institutions	1,898,264	1,471,534	1,898,264	1,471,534
Total	61,109,859	114,419,700	60,950,849	114,314,025
Less: allowance for impairment losses	(220,432)	(226,317)	(220,432)	(226,317)
Net value	60,889,427	114,193,383	60,730,417	114,087,708



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## Movement of allowance for impairment losses

	2012 Consolidated and Bank	2011 Consolidated and Bank
At beginning of year	226,317	226,896
Reversal (Note VII.41)	(5,885)	(579)
At end of year	220,432	226,317

## 3 Placements with banks and other financial institutions

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Placements with domestic banks	37,303,123	61,589,542	37,303,123	61,589,542
Placements with domestic financial institutions	36,696,513	34,562,261	36,806,513	34,652,261
Placements with foreign banks	444,798	941,911	444,798	941,911
Total	74,444,434	97,093,714	74,554,434	97,183,714
Less: allowance for impairment losses	(344,617)	(360,868)	(344,617)	(360,868)
Net value	74,099,817	96,732,846	74,209,817	96,822,846

## Movement of allowance for impairment losses

	2012 Consolidated and Bank	2011 Consolidated and Bank
At beginning of year	360,868	362,474
Reversal (Note VII.41)	(16,251)	(1,606)
At end of year	344,617	360,868

## 4 Trading assets

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Debt securities issued by:				
- Government	565,550	610,005	565,550	610,005
- Policy banks	995,497	1,390,900	995,497	1,390,900
- Financial institutions	806,924	-	806,924	-
- Corporates	4,672,723	3,359,723	4,672,723	3,359,723
Total	7,040,694	5,360,628	7,040,694	5,360,628

There are no significant restrictions on realisation and disposal of the above financial assets.

## 5 Derivative financial assets and liabilities

The Group enters into the following derivative financial instruments for trading, assets and liabilities management and on behalf of customers.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

Currency forwards are commitments to purchase or sell foreign currencies on a future date, including undelivered spot transactions.

Currency swaps transactions are commitments between two parties, to exchange specified amounts of the principles of two currencies.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place.

The notional/contractual amounts of certain types of derivative financial instruments provide a basis for comparison with fair value recognised on the balance sheet, 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 Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or stock and futures prices relative to their terms. The effect can fluctuate significantly from time to time.

The outstanding notional/contractual amounts and fair values of the derivative financial instruments held by the Group are set out as follows:

31 December 2012

	Consolidated and Bank		
	Contractual / Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivative financial instruments			
- Currency forwards	3,439,238	6,021	(3,227)
- Currency swaps	1,222,468	2,274	(17,154)
Interest rate derivative financial instruments			
- Interest rate swaps	4,240,000	22,022	(12,477)
Total		30,317	(32,858)

31 December 2011

	Consolidated and Bank		
	Contractual / Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivative financial instruments			
- Currency forwards	451,220	1,697	(1,115)
- Currency swaps	566,550	657	-
Interest rate derivative financial instruments			
- Interest rate swaps	2,188,130	19,871	(18,421)
Total		22,225	(19,536)

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## 6 Assets purchased under resale agreements

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Debt securities issued by:		
- Government	346,550	400,000
- Central bank	220,020	3,140,110
- Policy banks	2,502,090	1,721,070
- Financial institutions	4,044,500	500,000
- Corporates	1,925,465	1,574,260
Bills	79,226,170	13,548,572
Loans	300,000	2,430,000
Total	88,564,795	23,314,012
Less: allowance for impairment losses	(76,850)	(85,370)
Net value	88,487,945	23,228,642

## Movement of allowance for impairment losses

	2012 Consolidated and Bank	2011 Consolidated and Bank
At beginning of year	85,370	85,524
Reversal (Note VII.41)	(8,520)	(154)
At end of year	76,850	85,370

## 7 Interest receivable

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Interest receivable from debt securities	3,309,332	2,563,598	3,309,332	2,563,598
Interest receivable from loans and advances to customers	1,650,872	1,115,066	1,639,100	1,112,532
Interest receivable from banks and other financial institutions	2,045,150	1,394,495	2,046,326	1,394,684
Total	7,005,354	5,073,159	6,994,758	5,070,814

## Movement of interest receivables

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
At beginning of year	5,073,159	2,838,956	5,070,814	2,836,904
Accrued (Note VII.34)	53,922,242	37,765,697	53,739,977	37,724,946
Received	(51,990,047)	(35,531,494)	(51,816,033)	(35,491,036)
At end of year	7,005,354	5,073,159	6,994,758	5,070,814

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

**8 Loans and advances to customers**

## Consolidated

	31 December 2012	31 December 2011
Corporate loans and advances		
- General corporate loans	380,168,814	327,879,805
- Discounted bills	10,224,285	8,171,929
- Import & export bills and advances to customers	16,352,660	2,886,950
	406,745,759	338,938,684
Retail loans		
- Mortgage loans	63,562,783	49,729,588
- Consumer and operating loans	23,905,484	14,559,865
- Car loans and others	2,506,208	2,381,378
	89,974,475	66,670,831
Loans and advances to customers, total	496,720,234	405,609,515
Less: allowance for impairment losses		
Corporate loans and advances		
- Individual assessment	(1,866,308)	(1,416,115)
- Collective assessment	(9,474,990)	(6,985,587)
Retail loans		
- Collective assessment	(1,933,648)	(1,130,895)
	(13,274,946)	(9,532,597)
Loans and advances to customers, net	483,445,288	396,076,918

## Bank

	31 December 2012	31 December 2011
Corporate loans and advances		
- General corporate loans	380,141,514	327,870,836
- Discounted bills	10,224,285	8,171,929
- Import & export bills and advances to customers	16,352,660	2,886,950
	406,718,459	338,929,715
Retail loans		
- Mortgage loans	63,562,573	49,713,258
- Consumer and operating loans	21,447,275	13,858,134
- Car loans and others	2,505,508	2,379,950
	87,515,356	65,951,342
Loans and advances to customers, total	494,233,815	404,881,057

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	31 December 2012	31 December 2011
Less: allowance for impairment losses		
Corporate loans and advances		
- Individual assessment	(1,866,308)	(1,416,115)
- Collective assessment	(9,474,585)	(6,985,497)
Retail loans		
- Collective assessment	(1,898,478)	(1,121,646)
	(13,239,371)	(9,523,258)
Loans and advances to customers, net	480,994,444	395,357,799

As at 31 December 2012, the Group and the Bank did not pledge any of the above loans and advances to customers under repurchase agreements with other financial institutions (2011:nil).

(1) By industries:

Consolidated

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Corporate loans and advances				
- Manufacturing	99,623,079	20	62,130,760	15
- Real estates	58,599,512	12	45,766,601	11
- Trading	53,684,164	11	44,650,567	11
- Rental and business services	42,344,389	9	40,726,157	10
- Water environment and community facilities management	38,047,416	8	44,796,369	11
- Construction	27,280,447	5	21,881,348	5
- Electric power, fuel gas and water producer and supplier	23,062,740	5	16,214,331	4
- Transportation	20,192,394	4	22,691,902	6
- Finance	11,243,049	2	9,725,784	2
- Computer software and telecommunications	11,222,656	2	8,758,266	2
- Neighbourhood and other service	5,761,309	1	5,683,492	1
- Other industries	15,684,604	3	15,913,107	5
	406,745,759	82	338,938,684	83
Retail loans	89,974,475	18	66,670,831	17
Total	496,720,234	100	405,609,515	100

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## Bank

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Corporate loans and advances				
- Manufacturing	99,621,678	19	62,129,160	15
- Real estates	58,599,512	12	45,766,601	11
- Trading	53,681,864	11	44,648,822	11
- Rental and business services	42,344,389	9	40,726,157	10
- Water environment and community facilities management	38,047,416	8	44,794,869	11
- Construction	27,280,447	6	21,881,348	5
- Electric power, fuel gas and water producer and supplier	23,062,740	5	16,214,331	4
- Transportation	20,192,394	4	22,691,902	6
- Finance	11,243,049	2	9,725,784	3
- Computer software and telecommunications	11,222,656	2	8,758,266	2
- Neighbourhood and other service	5,761,309	1	5,682,547	1
- Other industries	15,661,005	3	15,909,928	5
	406,718,459	82	338,929,715	84
Retail loans	87,515,356	18	65,951,342	16
Total	494,233,815	100	404,881,057	100

(2) By guarantee type:

## Consolidated

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Unsecured loans	115,940,170	23	95,879,446	24
Guaranteed loans	182,917,392	37	152,055,148	37
Collateralised and pledged loans				
- Collateralised loans	158,702,342	32	117,206,563	29
- Pledged loans	39,160,330	8	40,468,358	10
Total	496,720,234	100	405,609,515	100

## Bank

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Unsecured loans	114,035,335	23	95,440,417	24
Guaranteed loans	182,717,239	37	152,002,329	37
Collateralised and pledged loans				
- Collateralised loans	158,385,281	32	116,971,001	29
- Pledged loans	39,095,960	8	40,467,310	10
Total	494,233,815	100	404,881,057	100

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## (3) By geographical areas:

## Consolidated

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Beijing	288,853,573	58	254,008,287	63
Shanghai	45,590,424	9	32,232,155	8
Xi'an	31,320,506	6	24,501,925	6
Zhejiang	30,420,035	6	23,702,109	6
Tianjin	27,634,283	6	25,318,136	6
Shenzhen	23,754,078	5	14,146,881	3
Other	49,147,335	10	31,700,022	8
Total	496,720,234	100	405,609,515	100

## Bank

	31 December 2012		31 December 2011	
	Balance	%	Balance	%
Beijing	286,698,538	58	253,369,215	63
Shanghai	45,590,424	9	32,232,155	8
Xi'an	31,320,506	6	24,501,925	6
Zhejiang	30,189,783	6	23,612,723	6
Tianjin	27,634,283	6	25,318,136	6
Shenzhen	23,754,078	5	14,146,881	3
Other	49,046,203	10	31,700,022	8
Total	494,233,815	100	404,881,057	100

## (4) Overdue period analysis of overdue loans

## Consolidated

	31 December 2012				
	Within 90 days (Including 90 days)	90-360 days (Including 360 days)	360 days- 3 years (Including 3years)	Over 3 years	Total
Unsecured loans	121,216	36,656	23,460	52,568	233,900
Guaranteed loans	240,811	508,313	2,980	685,625	1,437,729
Collateralised and pledged loans					
- Collateralised	325,273	295,718	33,885	385,987	1,040,863
- Pledged	2,000	37,372	-	62,632	102,004
Sub-total	689,300	878,059	60,325	1,186,812	2,814,496

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

Consolidated

	31 December 2011				
	Within 90 days (Including 90 days)	90-360 days (Including 360 days)	360 days- 3 years (Including 3years)	Over 3 years	Total
Unsecured loans	49,710	12,673	16,994	271,090	350,467
Guaranteed loans	4,505	600	3,676	794,494	803,275
Collateralised and pledged loans					
- Collateralised	235,959	21,692	28,975	454,654	741,280
- Pledged	6,165	-	-	62,690	68,855
Sub-total	296,339	34,965	49,645	1,582,928	1,963,877

Bank

	31 December 2012				
	Within 90 days (Including 90 days)	90-360 days (Including 360 days)	360 days- 3 years (Including 3years)	Over 3 years	Total
Unsecured loans	78,526	26,218	23,286	52,568	180,598
Guaranteed loans	240,811	508,313	2,980	685,625	1,437,729
Collateralised and pledged loans					
- Collateralised	325,273	295,718	33,885	385,987	1,040,863
- Pledged	2,000	37,372	-	62,632	102,004
Sub-total	646,610	867,621	60,151	1,186,812	2,761,194

Bank

	31 December 2011				
	Within 90 days (Including 90 days)	90-360 days (Including 360 days)	360 days- 3 years (Including 3years)	Over 3 years	Total
Unsecured loans	48,769	12,347	16,915	271,090	349,121
Guaranteed loans	4,505	600	3,676	794,494	803,275
Collateralised and pledged loans					
- Collateralised	235,959	21,692	28,975	454,654	741,280
- Pledged	6,165	-	-	62,690	68,855
Sub-total	295,398	34,639	49,566	1,582,928	1,962,531



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## (5) Loans Movement of allowance for impairment losses

## Consolidated

	2012			Total
	Corporate loans and advances		Retail loans	
	Individual assessment	Collective assessment	Collective assessment	
At beginning of year	1,416,115	6,985,587	1,130,895	9,532,597
Provision (Note VII. 41)	659,675	2,489,403	815,981	3,965,059
Written off	(180,111)	-	(11,867)	(191,978)
Reversal				
- Cash received for loans previously written off	1,794	-	380	2,174
- Unwinding of discount on allowance	(27,935)	-	(1,741)	(29,676)
- Exchange rate changes and others	(3,230)	-	-	(3,230)
At end of year	1,866,308	9,474,990	1,933,648	13,274,946

## Consolidated

	2011			Total
	Corporate loans and advances		Retail loans	
	Individual assessment	Collective assessment	Collective assessment	
At beginning of year	1,572,330	5,050,841	505,797	7,128,968
(Reversal)/provision (Note VII. 41)	(128,822)	1,934,746	624,832	2,430,756
Reversal				
- Cash received for loans previously written off	707	-	575	1,282
- Unwinding of discount on allowance	(16,984)	-	(309)	(17,293)
- Exchange rate changes and others	(11,116)	-	-	(11,116)
At end of year	1,416,115	6,985,587	1,130,895	9,532,597

## Bank

	2012			Total
	Corporate loans and advances		Retail loans	
	Individual assessment	Collective assessment	Collective assessment	
At beginning of year	1,416,115	6,985,497	1,121,646	9,523,258
Provision (Note VII. 41)	659,675	2,489,088	789,486	3,938,249
Written off	(180,111)	-	(11,293)	(191,404)
Reversal				
- Cash received for loans previously written off	1,794	-	380	2,174
- Unwinding of discount on allowance	(27,935)	-	(1,741)	(29,676)
- Exchange rate changes and others	(3,230)	-	-	(3,230)
At end of year	1,866,308	9,474,585	1,898,478	13,239,371

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## Bank

	2011			Total
	Corporate loans and advances		Retail loans	
	Individual assessment	Collective assessment	Collective assessment	
At beginning of year	1,572,330	5,050,659	504,211	7,127,200
(Reversal)/provision (Note VII. 41)	(128,822)	1,934,838	617,169	2,423,185
Reversal				
- Cash received for loans previously written off	707	-	575	1,282
- Unwinding of discount on allowance	(16,984)	-	(309)	(17,293)
- Exchange rate changes and others	(11,116)	-	-	(11,116)
At end of year	1,416,115	6,985,497	1,121,646	9,523,258

## 9 Available-for-sale financial assets

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Debt securities issued by:		
- Government	17,015,328	10,686,580
- Central bank	12,207,787	18,622,558
- Policy banks	51,358,756	42,324,550
- Financial institutions	4,932,490	4,509,333
- Corporates	9,468,694	10,160,480
Total	94,983,055	86,303,501

## 10 Held-to-maturity investments

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Debt securities issued by:		
- Government	60,808,140	55,751,689
- Policy banks	23,649,376	22,595,261
- Financial institutions	4,650,000	1,851,804
- Corporates	7,947,529	8,374,210
Total	97,055,045	88,572,964

## 11 Investment securities classified as receivables

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Debt securities issued by:		
- Government	1,018,144	1,940,133
- Other financial institutions	4,137,895	3,635,760
- Corporates	2,072,000	3,000,850
Beneficiary interests	27,880,500	-
Structured investments (1)	15,202,671	-
Total	50,311,210	8,576,743

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

(1) Structured investments include:

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Wealth management products issued by banks	7,142,655	-
Directional asset management plans issued by brokers	3,781,167	-
Entrusted loans	4,278,849	-
Total	15,202,671	-

**12 Long-term equity investments**

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Investment in subsidiaries (VI Subsidiaries)	-	-	345,300	330,000
Investment in joint venture (1)	982,169	839,517	982,169	839,517
Investment in associate(2)	322,702	316,520	322,702	316,520
Others	50,289	50,299	50,289	50,299
Sub-total	1,355,160	1,206,336	1,700,460	1,536,336
Less: allowance for impairment losses	-	-	-	-
Net value	1,355,160	1,206,336	1,700,460	1,536,336

As at 31 December 2012, there were no restrictions for the Bank to dispose the above long-term equity investments (2011: nil).

(1) long-term equity investment in joint venture

The Bank acquired 50% interest of ING-BOB Life Insurance Co. Ltd. ("ING-BOB Life") on 1 July 2010, and jointly controls ING-BOB with ING Life Insurance. The registration location of ING-BOB Life is Dalian, Liaoning Province. As at 31 December 2012, ING-BOB had total capital of RMB1.75 billion and mainly provided services of life insurance, health insurance, accident insurance and reinsurance of such business.

On 11 July 2012, the Bank's additional investment was RMB 100 million in ING-BOB Life in accordance with cooperation agreement with ING Life Insurance, the share of holdings remains at 50%.

Movement of long-term equity investment in joint venture

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
At beginning of year	839,517	820,163
Increase in investment cost	100,000	125,000
Share of results of joint venture (Note VII. 36)	(6,275)	(68,877)
Share of other equity movement of joint venture (Note VII. 28)	48,927	(36,769)
At end of year	982,169	839,517

The carrying value of the investment in joint venture includes the goodwill of RMB 339.8 million which represents the excess of acquisition cost of RMB 681.8 million over the Bank's share of the identifiable net assets' fair value of the joint venture.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## (2) long-term equity investment in associate

The Bank acquired 19.99% interest of Bank of Langfang Co., Ltd (“Bank of Langfang”) on 9 September 2008 and has significant influence over it. The registration location of Bank of Langfang is in Hebei Province. As at 31 December 2012, Bank of Langfang had the total capital of RMB 821 million and mainly provided commercial banking services.

## Movement of long-term equity investment in associate

	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>Consolidated and Bank</b>	<b>Consolidated and Bank</b>
At beginning of year	316,520	307,049
Share of results of the associate (Note VII. 36)	8,268	7,827
Share of reserve movement of the associate (Note VII. 28)	(2,086)	1,644
At end of year	322,702	316,520

**13 Investment properties**

	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>Consolidated and Bank</b>	<b>Consolidated and Bank</b>
Cost	457,261	320,330
Accumulated depreciation	(111,633)	(99,932)
Net value	345,628	220,398

## (1) Movement of investment properties:

	<b>Buildings</b>
Cost	
At 31 December 2011	320,330
Add: Purchases	136,931
At 31 December 2012	457,261
Accumulated depreciation	
As at 31 December 2011	(99,932)
Add: Charges for the year	(11,701)
As at 31 December 2012	(111,633)
Net value	
As at 31 December 2011	220,398
As at 31 December 2012	345,628

## (2) Investment properties without property ownership certificates

As at 31 December 2012, given the historical issues, the Group and Bank had four investment properties without ownership certificates. The cost of the four investment properties is RMB58.77 million (31 December 2011: RMB58.77 million) and the face amount is RMB 14.70 million (31 December 2011: RMB17.57 million). The above issues will not affect the Group's and Bank's ownership over these investment properties.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## 14 Fixed assets

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Cost	4,462,646	3,270,165	4,441,460	3,257,161
Accumulated depreciation	(1,521,374)	(1,255,676)	(1,514,848)	(1,252,519)
Less: allowance for impairment losses	(19)	-	-	-
Net value	2,941,253	2,014,489	2,926,612	2,004,642
Construction in progress	759,043	115,635	759,043	115,635
Less: allowance for impairment losses	(10,856)	(10,856)	(10,856)	(10,856)
Net value	748,187	104,779	748,187	104,779
Total	3,689,440	2,119,268	3,674,799	2,109,421

## (1) Movement of fixed assets

	Consolidated				Total
	Buildings	Office equipment	Motor vehicles	Construction in progress	
<b>Original cost</b>					
As at 31 December 2011	1,832,498	1,108,534	329,133	115,635	3,385,800
Purchases	982,075	215,187	11,145	643,408	1,851,815
Disposals	-	(15,887)	(39)	-	(15,926)
As at 31 December 2012	2,814,573	1,307,834	340,239	759,043	5,221,689
<b>Accumulated depreciation</b>					
As at 31 December 2011	(509,867)	(533,076)	(212,733)	-	(1,255,676)
Charges for the year (Note VII. 40)	(80,699)	(165,017)	(35,340)	-	(281,056)
Disposals	-	15,320	38	-	15,358
As at 31 December 2012	(590,566)	(682,773)	(248,035)	-	(1,521,374)
<b>Allowance for impairment losses</b>					
As at 31 December 2011	-	-	-	(10,856)	(10,856)
As at 31 December 2012	(11)	(6)	(2)	(10,856)	(10,875)
<b>Net book value</b>					
As at 31 December 2011	1,322,631	575,458	116,400	104,779	2,119,268
As at 31 December 2012	2,223,996	625,055	92,202	748,187	3,689,440

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

	Bank				Total
	Buildings	Office equipment	Motor vehicles	Construction in progress	
<b>Original cost</b>					
As at 31 December 2011	1,832,498	1,096,221	328,442	115,635	3,372,796
Purchases	982,075	207,754	10,396	643,408	1,843,633
Disposals	-	(15,887)	(39)	-	(15,926)
As at 31 December 2012	2,814,573	1,288,088	338,799	759,043	5,200,503
<b>Accumulated depreciation</b>					
As at 31 December 2011	(509,867)	(530,129)	(212,523)	-	(1,252,519)
Charges for the year (Note VII. 40)	(80,699)	(161,819)	(35,169)	-	(277,687)
Disposals	-	15,320	38	-	15,358
As at 31 December 2012	(590,566)	(676,628)	(247,654)	-	(1,514,848)
<b>Allowance for impairment losses</b>					
As at 31 December 2011	-	-	-	(10,856)	(10,856)
As at 31 December 2012	-	-	-	(10,856)	(10,856)
<b>Net book value</b>					
As at 31 December 2011	1,322,631	566,092	115,919	104,779	2,109,421
As at 31 December 2012	2,224,007	611,460	91,145	748,187	3,674,799

The Group and the Bank did not have any significant fixed assets acquired by means of finance lease as at 31 December 2012 (2011: nil).

## (2) Fixed assets without property ownership certificate

As at 31 December 2012, given the historical issues, the Group and Bank had 7 fixed assets without ownership certificates. The cost of the 7 fixed assets is RMB81.73 million (31 December 2011: RMB81.73 million) and the book value of the assets is RMB19.64 million (31 December 2011: RMB23.68 million). The above issue will not affect the Bank's rights over these fixed assets.

**15 Deferred income tax assets and liabilities**

## (1) Deferred income tax assets and liabilities after offsetting

The deferred income tax assets and deferred income tax liabilities are presented on net basis:

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Deferred income tax assets	2,361,455	1,678,782	2,358,868	1,675,083
Deferred income tax liabilities	(204,921)	(257,944)	(204,717)	(257,791)
	2,156,534	1,420,838	2,154,151	1,417,292

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## Consolidated

	2012	2011
At beginning of year	1,420,838	996,595
The impact of income tax charged to shareholders' equity		
- Unrealised gains or losses on available-for-sale financial assets and others	237,551	(90,311)
Deferred income tax expense charged to the year (Note VII.44)	498,145	514,554
At end of year	2,156,534	1,420,838

## Bank

	2012	2011
At beginning of year	1,417,292	994,840
The impact of income tax charged to shareholders' equity		
- Unrealised gains or losses on available-for-sale financial assets and others	237,551	(90,311)
Deferred income tax expense charged to the year (Note VII.44)	499,308	512,763
At end of year	2,154,151	1,417,292

(2) Deferred income tax assets and liabilities before offsetting consist of the following items

## Consolidated

## Deferred income tax assets

	Deductible temporary differences		Deferred income tax assets	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Allowance for impaired assets	7,792,429	5,714,696	1,948,107	1,428,674
Unrealised losses on available-for-sale financial assets	1,026,678	254,271	256,669	63,567
Retirement benefit liabilities and employee benefits payable	442,174	570,875	110,544	142,719
Provision on litigation losses	39,416	39,307	9,854	9,827
Loss on fair value changes of trading assets and derivative financial instruments	32,858	19,536	8,215	4,883
Other	112,261	116,445	28,066	29,112
Total	9,445,816	6,715,130	2,361,455	1,678,782

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## Deferred income tax liabilities

	Taxable temporary differences		Deferred income tax liabilities	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Unrealised gains on available-for-sale financial assets	657,548	835,345	164,387	208,836
Gains on fair value changes of trading assets and derivative financial instruments	45,790	72,585	11,448	18,146
Other	116,344	123,848	29,086	30,962
Total	819,682	1,031,778	204,921	257,944

## Bank

## Deferred income tax assets

	Deductible temporary differences		Deferred income tax assets	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Allowance for impaired assets	7,790,890	5,714,696	1,947,722	1,428,674
Unrealised losses on available-for-sale financial assets	1,026,678	254,271	256,669	63,567
Retirement benefit liabilities and employee benefits payable	440,924	570,875	110,231	142,719
Provision on litigation losses	39,416	39,307	9,854	9,827
Loss on fair value changes of derivative financial instruments	32,858	19,536	8,215	4,883
Other	104,703	101,647	26,177	25,413
Total	9,435,469	6,700,332	2,358,868	1,675,083

## Deferred income tax liabilities

	Taxable temporary differences		Deferred income tax liabilities	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Unrealised gains on available-for-sale financial assets	657,548	835,345	164,387	208,836
Gains on fair value changes of trading assets and derivatives financial instruments	45,790	72,585	11,448	18,146
Other	115,528	123,237	28,882	30,809
Total	818,866	1,031,167	204,717	257,791



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

(3) The deferred income tax expense charged to the year consist of the following

## Consolidated

	2012	2011
Allowance for impaired assets	519,433	353,167
Provision/(reversal) of litigation losses	27	(444)
Fair value changes on trading assets and derivative financial instruments	10,030	(2,702)
Retirement benefit liabilities and employee benefits payable	(32,175)	112,719
Other	830	51,814
Total	498,145	514,554

## Bank

	2012	2011
Allowance for impaired assets	519,048	353,167
Provision/(reversal) of litigation losses	27	(444)
Fair value changes on trading assets and derivative financial instruments	10,030	(2,257)
Retirement benefit liabilities and employee benefits payable	(32,488)	112,719
Other	2,691	49,578
Total	499,308	512,763

## 16 Other assets

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Foreclosed assets	449,226	449,311	449,226	449,311
Less: allowance for impairment losses (1)	(312,812)	(312,769)	(312,812)	(312,769)
Foreclosed assets, net	136,414	136,542	136,414	136,542
Other receivables	909,264	464,940	904,730	464,691
Less: allowance for impairment losses (2)	(345,035)	(347,709)	(344,961)	(347,709)
Other receivables, net	564,229	117,231	559,769	116,982
Long-term deferred expenses	1,422,315	1,141,163	1,410,580	1,131,992
Other	11,374	11,413	10,693	10,481
Total	2,134,332	1,406,349	2,117,456	1,395,997

(1) Movement of allowance for impairment losses on foreclosed assets

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
At beginning of year	312,769	313,199
Provision (Note VII. 41)	124	-
Reversal	(81)	(430)
At end of year	312,812	312,769

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## (2) Movement of allowance for impairment losses on other receivables

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
At beginning of year	347,709	355,222	347,709	355,222
Provision/(reversal)	630	(635)	525	(635)
Written off	(3,304)	(6,882)	(3,273)	(6,882)
Cash received from previously written off	-	4	-	4
At end of year	345,035	347,709	344,961	347,709

## 17 Due to banks and other financial institutions

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Demand deposits from domestic banks	8,023,195	11,637,180	8,087,494	11,688,533
Time deposits from domestic banks	173,437,408	124,312,513	173,417,219	124,312,513
Demand deposits from other domestic financial institutions	8,512,858	3,805,725	8,520,814	3,805,725
Time deposits from other domestic financial institutions	51,226,282	28,288,450	51,226,497	28,288,450
Total	241,199,743	168,043,868	241,252,024	168,095,221

## 18 Placements from banks and other financial institutions

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Placements from other domestic banks	12,566,405	19,697,770	11,116,405	19,587,770
Placements from other foreign banks	8,922,831	700,000	8,922,831	700,000
	21,489,236	20,397,770	20,039,236	20,287,770

## 19 Assets sold under repurchase agreements

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Investment securities issued by:		
- Government	20,109,440	24,795,250
- Central bank	6,000,000	13,585,000
- Policy banks	12,632,340	31,487,340
- Corporates	-	1,957,970
Bank acceptance	194,205	249,143
Commercial acceptance	-	19,943
Total	38,935,985	72,094,646

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## 20 Customer deposits

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Demand deposits from corporate	308,329,198	268,662,843	308,110,991	268,466,617
Demand deposits from individuals	36,128,671	29,552,742	36,041,940	29,503,920
Time deposits from corporate	224,978,975	197,894,676	224,875,641	197,838,107
Time deposits from individuals	103,578,451	85,662,939	103,287,920	85,571,653
Margin deposits	40,757,170	32,467,981	40,710,148	32,459,626
Total	713,772,465	614,241,181	713,026,640	613,839,923

Margin deposits consist of the following:

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Margin deposits for acceptance	23,605,204	14,826,378	23,605,204	14,826,378
Margin deposits for letters of guarantee	1,371,509	1,500,697	1,371,509	1,500,697
Margin deposits for letters of credit	2,655,798	3,108,026	2,655,798	3,108,026
Margin deposits for guarantee	11,034,377	11,755,296	11,022,546	11,746,941
Others	2,090,282	1,277,584	2,055,091	1,277,584
Total	40,757,170	32,467,981	40,710,148	32,459,626

## 21 Employee benefits payable

Consolidated

	31 December 2011	Current year additions	Current year deductions	31 December 2012
Wages and salaries, bonuses, allowances and subsidies	576,521	1,907,111	(2,028,559)	455,073
Staff welfare	-	167,714	(167,714)	-
Social security contributions	19,275	362,937	(341,241)	40,971
Housing funds	958	131,196	(131,505)	649
Labour union funds and employee education funds	-	61,754	(61,630)	124
Total	596,754	2,630,712	(2,730,649)	496,817

Bank

	31 December 2011	Current year additions	Current year deductions	31 December 2012
Wages and salaries, bonuses, allowances and subsidies	573,377	1,884,897	(2,009,544)	448,730
Staff welfare	-	165,941	(165,941)	-
Social security contributions	19,146	360,514	(338,908)	40,752
Housing funds	958	129,927	(130,244)	641
Labour union funds and employee education funds	-	61,151	(61,151)	-
Total	593,481	2,602,430	(2,705,788)	490,123

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2012, there was no payable in arrears (31 December 2011: Nil).

**22 Taxes payable**

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Income tax payable	638,955	657,319	628,302	656,168
Business tax payable and surcharge	545,587	445,910	540,933	445,060
Others	55,257	37,459	55,101	37,358
Total	1,239,799	1,140,688	1,224,336	1,138,586

**23 Interest payable**

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Interest payable on customer deposits	5,702,055	4,362,772	5,696,943	4,361,216
Interest payable on due to banks and other financial institutions	1,910,270	1,166,962	1,903,064	1,166,826
Interest payable on debt securities	291,219	301,504	291,219	301,504
Total	7,903,544	5,831,238	7,891,226	5,829,546

## Movement of Interest payable

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
At beginning of year	5,831,238	3,463,003	5,829,546	3,462,649
Accrued (Note VII.34)	29,299,452	18,993,715	29,245,170	18,990,513
Paid	(27,227,146)	(16,625,480)	(27,183,490)	(16,623,616)
At end of year	7,903,544	5,831,238	7,891,226	5,829,546

**24 Provisions**

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Provisions on litigation loss (Notes VIII. 7)	39,416	39,307

## Movement of provisions

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
At beginning of year	39,307	40,413
Provision/(reversal) (Notes VIII. 43)	288	(273)
Exchange rate changes and others	(179)	(833)
At end of year	39,416	39,307

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

**25 Bonds issued**

	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>Consolidated and Bank</b>	<b>Consolidated and Bank</b>
General financial bonds issued	9,994,018	9,985,618
Subordinated bonds issued	9,978,235	9,976,555
Total	19,972,253	19,962,173

**(1) General financial bonds issued**

Pursuant to notice Yin Shi Chang Xu Zhun Yu Zi [2008] No. 29 issued by PBOC and notice Yin Jian Fu [2008] No. 253 issued by CBRC, the Bank issued financial bonds as follows:

- Fixed rate bonds issued in 2008 has a maturity of 5 years, with nominal amount of RMB2.5 billion and a fixed coupon rate of 4.95% per annum. Interest is paid on an annual basis.
- Floating rate bonds issued in 2008 has a maturity of 5 years, with nominal amount of RMB7.5 billion. The coupon rate is the benchmark rate plus basic spread. The benchmark rate is the one-year time deposit rate quoted by PBOC on the first day of issue and on the interest accrual date of each interest-bearing year and basic spread is 95 bps fixed in the bond issue duration. Interest is paid on an annual basis.

**(2) Subordinated bonds issued**

Pursuant to notice Yin Shi Chang Xu Zhun Yu Zi [2010] No. 56 issued by PBOC and notice Yin Jian Fu [2010] No. 493 issued by CBRC, the Bank issued subordinated bonds as follows:

Fixed rate subordinated bonds issued on 21 December 2010 has a maturity of 15 years, with nominal amount of RMB6.5 billion and fixed coupon rate of 5.00% per annum from the first year to the tenth year. Interest is paid on an annual basis. The Bank has the option to redeem all of the bonds at face value on 23 December 2020. If the Bank does not exercise the option, the annual coupon rate shall be the original fixed rate and shall remain fixed through the maturity date from the 11<sup>th</sup> year.

Fixed rate subordinated bonds issued on 14 January 2011 has a maturity of 15 years, with nominal amount of RMB3.5 billion and fixed coupon rate of 4.90% per annum from the first year to the tenth year. Interest is paid on an annual basis. The Bank has the option to redeem all of the bonds at face value on 17 January 2021. If the Bank does not exercise the option, the annual coupon rate shall be the original fixed rate and shall remain fixed through the maturity date from the 11<sup>th</sup> year.

These subordinated bonds are subordinated to all other claims on the assets of the Bank, except those of the shareholders. In calculating of the Bank's capital adequacy ratio, these bonds are qualified as supplementary capital.

As at 31 December 2012, there was no default of principal and interest or other breaches with respect to these subordinated bonds during the year (2011: nil). The subordinated bonds are not secured.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

**26 Other liabilities**

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Payable for clearing and settlement	1,456,114	1,848,802	1,456,114	1,848,802
Uninvested amount for wealth management products	929,716	621,903	929,716	621,903
Dividends payable	76,042	75,711	76,042	75,711
Agency security	63,869	78,941	63,869	78,941
Other payables	670,355	1,072,622	628,033	1,070,939
Total	3,196,096	3,697,979	3,153,774	3,696,296

**27 Capital stock**

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Unrestricted Rmb common shares	7,473,075	6,227,562
Restricted Rmb common shares	1,327,085	-
Total	8,800,160	6,227,562

Pursuant to "Approval regarding the Non-Public Offering of Bank of Beijing Co., Ltd." (*Zheng Jian Xu Ke* [2012] No. 81) issued by CSRC, the Bank issued at RMB 10.67 through non-public offering RMB 1,105.90 million common shares with a par value of RMB 1.00. These shares are restricted for sale in the 36 months from the date of issuance, and upon expiration of the lock-up period, will be listed on the Shanghai Stock Exchange.

Pursuant to the 2011 Annual General Meeting held on 30 May 2012, the Bank paid cash dividends of RMB 2 for every 10 shares (including tax) and issued two bonus shares for every 10 shares based on its capital stock of RMB 7,333.47 million shares as at 5 July 2012. The Bank paid total cash dividends of RMB 1,466.99 million (including tax) and the capital stock increased to RMB 8,800.16 million shares after the distribution.

**28 Capital surplus**

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
At beginning of year	15,905,073	15,669,266
Share premium	10,585,239	-
Unrealised gains/(losses) on available-for-sale financial assets	(519,199)	725,732
Amortization of fair value gains on securities transfer from available-for-sale to held-to-maturity	(177,797)	(212,539)
Net fair value changes transferred to income statement on sale of available-for-sale financial assets	(253,209)	(151,950)
Share of reserve changes of joint venture	48,927	(36,769)
Share of reserve changes of associate	(2,086)	1,644
Impact of deferred income tax	237,551	(90,311)
At end of year	25,824,499	15,905,073

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

**29 Surplus reserve**

Consolidated and Bank

	<b>31 December 2011 Consolidated and Bank</b>	<b>Appropriation for the year Consolidated and Bank</b>	<b>31 December 2012 Consolidated and Bank</b>
Statutory surplus reserve	3,931,929	1,163,073	5,095,002
General surplus reserve	271,109	-	271,109
Other surplus reserve	79,342	-	79,342
<b>Total</b>	<b>4,282,380</b>	<b>1,163,073</b>	<b>5,445,453</b>

In accordance with the PRC "Company Law", the Bank's articles of associations and the Board of Directors' resolution, the Bank is required to allocate 10% of its profit after tax to a surplus reserve based on its statutory financial statements. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital. Upon approval by the general shareholders' meeting, the surplus reserve can be used to make up previous losses or transferred to registered capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of statutory surplus reserve after such capitalisation is not less than 25% of the share capital. The Bank appropriated 10% of its net profit to surplus reserve for the year ended 31 December 2012, to increase the balance to RMB1,163 million (2011: RMB895 million).

**30 General reserve**

	<b>31 December 2012 Consolidated</b>	<b>31 December 2011 Consolidated</b>	<b>31 December 2012 Bank</b>	<b>31 December 2011 Bank</b>
At beginning of year	6,844,932	4,962,087	6,844,932	4,962,087
Appropriation to general reserve	6,503,993	1,882,845	6,498,706	1,882,845
At end of year	13,348,925	6,844,932	13,343,638	6,844,932

Pursuant to "Administrative Rules for Loan Loss Provisioning by Financial Enterprises" (*Caijin* [2012] No.20) and "Financial Rules for Financial Enterprises — Implementation Guidance" (*Caijin* [2007] No. 23) issued by the Ministry of Finance, in addition to the impairment allowance, the Bank establish a general reserve, as a separate component of Shareholders' Equity, to reflect the estimated potential risk exposure in excess of the impairment allowance. The general reserve should be accumulated through an appropriation from Profit After Income Tax. The general reserve should not be less than 1.5% of the aggregate amount of risk assets (31 December 2011: 1%), and this minimum threshold can be accumulated over a period of not more than five years. As at 31 December 2012, The Bank appropriated 1.5% of the aggregate amount of risk assets to general reserve.

According to the resolution of the 2th Meeting of the Board of Directors on 25 April 2013, the Bank appropriated RMB6.499 billion to the general reserve for the year ended 31 December 2012 (2011: RMB1.883 billion).

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

**31 Retained earnings**

Consolidated

	31 December 2012	31 December 2011
At beginning of year	17,123,394	12,300,155
Add: Attributable to shareholders of the Bank	11,674,808	8,946,703
Less: Appropriation to statutory surplus reserve (Notes VII. 29)	(1,163,073)	(895,466)
Appropriation to general reserve(Notes VII. 30)	(6,503,993)	(1,882,845)
Distribution of ordinary shares dividends (Notes VII. 33)	(2,933,387)	(1,345,153)
At end of year	18,197,749	17,123,394

As at 31 December 2012, the retained earnings included balances attributable to the Bank of RMB 19,840 thousand(31 December 2011: RMB188 thousand)in the surplus reserves, including new provisions in 2012 attributable to the Bank of RMB19,652 thousand(2011: RMB143 thousand).

Bank

	31 December 2012	31 December 2011
At beginning of year	17,136,382	12,305,193
Add: Net Profit	11,630,732	8,954,653
Less: Appropriation to statutory surplus reserve (Notes VII. 29)	(1,163,073)	(895,466)
Appropriation to general reserve (Notes VII. 30)	(6,498,706)	(1,882,845)
Distribution of ordinary shares dividends	(2,933,387)	(1,345,153)
At end of year	18,171,948	17,136,382

**32 Minority interests**

Minority interests on subsidiary owned by other minority shareholders is shown as below:

	31 December 2012	31 December 2011
Beijing Yanqing Rural Bank	28,875	23,764
Zhejiang Wencheng	30,075	26,418
Nong'an BoB	14,978	-
Total	73,928	50,182

**33 Dividends distribution**

According to the dividend distribution plan approved in resolution of the 2th Meeting of the Board of Directors on 25 April 2013, the Bank shall distribute cash dividends of RMB 4 (including tax) for every 10 shares of its capital stock of 8,800,160 thousand shares outstanding at 31 December 2012, RMB 3,520,064 thousand in total (including tax). The plan has been proposed for approval at the Shareholders' General Meeting of the Bank.

According to dividend distribution plan approved in the resolution of the Shareholders' General Meeting on 30 May 2012, the Bank declared 2011 cash dividends plan (Note VII, 27).



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## 34 Net interest income

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
<b>Interest income</b>				
Deposits with central bank	2,048,796	1,733,179	2,047,693	1,732,538
Due from banks and other financial institutions	3,978,425	2,250,171	3,966,032	2,249,288
Placements with banks and other financial institutions	6,371,479	1,895,641	6,378,275	1,893,713
Assets purchased under resale agreements	3,100,777	2,548,683	3,100,777	2,552,384
<b>Loans and advances</b>				
- Corporate loans and advances	24,188,761	19,753,989	24,170,317	19,750,771
- Retail loans and advances	4,830,981	3,043,113	4,673,860	3,012,410
- Discounted bills	745,263	456,680	745,263	456,680
- Import & export bills and advance	141,228	81,111	141,228	81,042
- Bonds and other investments	8,516,532	6,003,130	8,516,532	5,996,120
Sub-total	53,922,242	37,765,697	53,739,977	37,724,946
Interest income from impaired financial Instruments	29,676	17,293	29,676	17,293
<b>Interest expense</b>				
Due to banks and other financial institutions	(10,493,303)	(3,802,498)	(10,492,890)	(3,803,533)
Placements from banks	(549,220)	(625,253)	(504,259)	(624,657)
Assets sold under repurchase agreements	(2,285,507)	(2,544,972)	(2,285,507)	(2,544,972)
Customer deposits	(15,017,627)	(11,132,459)	(15,008,719)	(11,128,818)
Bonds issued	(953,795)	(888,533)	(953,795)	(888,533)
Sub-total	(29,299,452)	(18,993,715)	(29,245,170)	(18,990,513)
Net interest income	24,622,790	18,771,982	24,494,807	18,734,433

(1) By geographical areas:

Consolidated

	2012		2011	
	Interest income	Interest expense	Interest income	Interest expense
Beijing	32,268,038	17,053,570	26,498,672	14,186,379
Shanghai	3,960,538	2,480,835	2,499,744	1,395,243
Xi'an	3,419,079	1,775,942	1,923,522	764,904
Shenzhen	3,121,563	2,158,414	1,234,137	731,573
Zhejiang	2,938,306	1,518,841	1,558,732	486,326
Tianjin	2,479,167	984,477	1,785,477	520,080
Other areas	5,735,551	3,327,373	2,265,413	909,210
Total	53,922,242	29,299,452	37,765,697	18,993,715

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## Bank

	2012		2011	
	Interest income	Interest expense	Interest income	Interest expense
Beijing	32,118,376	17,003,196	26,461,795	14,183,496
Shanghai	3,960,538	2,480,835	2,499,744	1,395,243
Xi'an	3,419,079	1,775,942	1,923,522	764,904
Shenzhen	3,121,563	2,158,414	1,234,137	731,573
Zhejiang	2,921,625	1,516,563	1,554,858	486,007
Tianjin	2,479,167	984,477	1,785,477	520,080
Other areas	5,719,629	3,325,743	2,265,413	909,210
Total	53,739,977	29,245,170	37,724,946	18,990,513

## 35 Fee and commission income, net

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
<b>Fee and commission income</b>				
- Investment banking business	877,721	286,261	877,721	286,261
- Settlements and clearings business	443,818	253,137	441,549	253,005
- Bank card business	339,484	274,242	339,484	274,242
- Agency business	338,175	158,341	307,549	154,833
- Inter-bank business	256,972	198,956	256,972	198,956
- Wealth management business	212,458	120,647	212,458	120,647
- Letters of guarantee and commitment business	159,096	63,736	159,096	63,736
- Financing consultancy business	89,202	288,871	89,202	288,871
- Other	187,160	138,983	169,401	137,530
Sub-total	2,904,086	1,783,174	2,853,432	1,778,081
<b>Fee and commission expense</b>	(231,595)	(170,444)	(229,047)	(169,759)
<b>Net fee and commission income</b>	2,672,491	1,612,730	2,624,385	1,608,322

## 36 Investment income

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Trading assets	51,299	70,694	51,299	73,315
Available-for-sale financial assets	253,209	151,950	253,209	151,950
Derivative financial instruments	3,563	2,289	3,563	2,289
Share of net profit of associate and joint venture	1,993	(61,050)	1,993	(61,050)
Dividends	1,317	1,057	1,317	1,057
Other	46,539	11,363	46,539	11,363
Total	357,920	176,303	357,920	178,924

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

**37 Fair value changes**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Fair value changes of trading assets	(34,888)	22,803	(34,888)	21,021
Fair value changes of derivative financial instruments	(5,230)	(11,983)	(5,230)	(11,983)
Fair value changes of other assets	(1,343)	-	(1,343)	-
Total	(41,461)	10,820	(41,461)	9,038

**38 Other operating income**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Rental income from investment properties	76,183	72,771	78,793	72,771
Other	35,066	31,629	34,802	31,621
Total	111,249	104,400	113,595	104,392

**39 Business tax and surcharges**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Business tax	1,740,369	1,337,620	1,729,931	1,335,687
Urban construction tax	119,424	91,667	118,723	91,544
Education surcharges	86,968	47,440	86,451	47,380
Other	4,872	2,549	4,861	2,547
Total	1,951,633	1,479,276	1,939,966	1,477,158

**40 General and administrative expense**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Staff costs				
- Salaries and bonus	1,907,111	1,806,000	1,884,897	1,792,443
- Other	723,601	528,586	717,533	525,065
Administrative expenses	2,042,655	1,336,944	2,013,255	1,326,866
Business promotion and development expenses	1,190,399	773,082	1,181,902	769,901
Rental expenses	856,956	660,581	853,372	652,990
Depreciation of fixed assets	281,056	234,446	277,687	232,559
Other	169,261	121,204	168,211	120,489
Total	7,171,039	5,460,843	7,096,857	5,420,313

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

**41 Impairment losses on assets**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Reversal of impairment losses on due from banks and other financial institutions	(5,885)	(579)	(5,885)	(579)
Reversal of impairment losses on placements with banks and other financial institutions	(16,251)	(1,606)	(16,251)	(1,606)
Reversal of impairment losses on assets purchased under resale agreements	(8,520)	(154)	(8,520)	(154)
Impairment losses on loans to customers	3,965,059	2,430,756	3,938,249	2,423,185
Reversal of impairment losses on available-for-sale financial assets	(7,495)	(2,443)	(7,495)	(2,443)
Impairment losses on foreclosed assets	124	-	124	-
Provision/(reversal) of impairment losses on other assets	661	(635)	525	(635)
Total	3,927,693	2,425,339	3,900,747	2,417,768

**42 Non-operating income**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Dormant customer bank accounts	4,380	37,339	4,380	37,339
Gains on disposal of non-current assets	43	237	43	237
Risk compensation from the state's student loans	1,619	2,286	1,619	2,286
Government grants	8,705	8,347	8,705	8,347
Other	22,725	15,474	12,563	14,036
Total	37,472	63,683	27,310	62,245

**43 Non-operating expenses**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Losses on disposal of non-current assets	536	1,877	536	1,877
Litigation losses	288	(273)	288	(273)
Withdrawal of dormant accounts	285	135	285	135
Charity donation	10,360	9,350	10,360	9,350
Other	11,262	5,687	11,073	4,333
Total	22,731	16,776	22,542	15,422

**44 Income tax expense**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Current tax	3,583,826	2,966,051	3,567,190	2,964,601
Deferred tax (Note VII.15)	(498,145)	(514,554)	(499,308)	(512,763)
Total	3,085,681	2,451,497	3,067,882	2,451,838

The Group and the Bank's actual income tax expense differs from the theoretical amount and the reconciliation is as follows:

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Profit before tax	14,769,535	11,397,482	14,698,614	11,406,491
Tax calculated at statutory tax rate	3,692,384	2,849,371	3,674,654	2,851,623
The effect of non-taxable income	(683,144)	(519,865)	(683,142)	(519,863)
The effect of non-deductible expenses and other adjustments	76,441	121,991	76,370	120,078
Income tax expense	3,085,681	2,451,497	3,067,882	2,451,838

**45 Earnings per share and return on equity**

Pursuant to the circular issued by CSRC, "Information Disclosure No. 9 of Public Offering Securities – the Calculation and Disclosure of Return on Equity and the Earnings Per Share" (2010 Edition), earnings per share and return on equity are calculated as follows:

**(1) Earnings per share****(a) Basic earnings per share**

Basic earnings per share were computed by dividing the profit attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2012 Consolidated	2011 Consolidated
Net profit attributable to the equity holders of the Bank	11,674,808	8,946,703
Weighted average number of ordinary shares outstanding (In thousand shares)	8,468,388	7,473,074
Earnings per share (Yuan per share)	1.38	1.20

The Bank announced "2011 Bank of Beijing Profit Distribution Notice" on 5 July 2012. It stated that the Bank would distribute 2 bonus stocks for every 10 shares, the ex-date was 11 July 2012 and circulation date was 12 July 2012. The earnings per share in above periods have been recalculated based on adjusted number of shares.

**(b) Diluted earnings per share**

Diluted earnings per share was computed by dividing the adjusted profit attributable to the equity holders of the Bank based on conversion of all potential dilutive share for the year by the adjusted weighted average number of ordinary shares in issue. During the year of 2011 and 2012, the Bank did not have diluted shares, therefore diluted earnings per share was equal to earnings per share.

**(2) Return on equity**

	2012 Consolidated	2011 Consolidated
Net profit attributable to the equity holders of the Bank	11,674,808	8,946,703
Net asset balance attributable to the equity holders of the Bank at year end	71,616,786	50,383,341
Return on equity	16.30%	17.76%
Weighted average net assets	63,800,625	46,352,566
Weighted average return on equity	18.30%	19.30%

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

**46 Other comprehensive income**

	<b>31 December 2012</b> <b>Consolidated and Bank</b>	<b>31 December 2011</b> <b>Consolidated and Bank</b>
Unrealised losses on available-for-sale financial assets	(519,199)	725,732
Net amount transferred from other comprehensive income to profit or loss		
- Net fair value changes transferred to income statement on sale of available-for-sale financial assets	(253,209)	(151,950)
- Amortization of fair value gains on securities transfer from available-for-sale to held-to-maturity	(177,797)	(212,539)
Less: related Income tax impact	237,551	(90,311)
Share of other comprehensive income of investees accounted for by the equity method	46,841	(35,125)
<b>Total</b>	<b>(665,813)</b>	<b>235,807</b>

**47 Notes to cash flow statements**

## (1) Reconciliation of net profit to cash flows from operating activities

	<b>2012</b> <b>Consolidated</b>	<b>2011</b> <b>Consolidated</b>	<b>2012</b> <b>Bank</b>	<b>2011</b> <b>Bank</b>
Net profit	11,683,854	8,945,985	11,630,732	8,954,653
Add: Impairment losses on assets	3,927,693	2,425,339	3,900,747	2,417,768
Depreciation of fixed assets and investments properties	292,757	246,148	289,388	244,260
Amortization of deferred assets	758,214	589,133	756,017	588,092
Losses from disposal of fixed assets and other assets	520	1,835	520	1,835
Interest income from investment securities	(8,516,532)	(5,996,120)	(8,516,532)	(5,996,120)
Fair value changes	41,461	(10,821)	41,461	(9,039)
Net gains on investments of available-for-sale financial assets and long-term equity investments	(256,519)	(91,957)	(256,519)	(91,957)
Interest expense of bonds issued	953,795	888,533	953,795	888,533
Increase in deferred tax assets	(498,145)	(424,244)	(499,308)	(422,452)
Increase in operating receivable	(154,719,276)	(82,191,792)	(153,244,149)	(81,897,294)
Increase in operating payable	141,966,448	145,173,638	140,501,006	144,893,222
<b>Net cash flows from operating activities</b>	<b>(4,365,730)</b>	<b>69,555,677</b>	<b>(4,442,842)</b>	<b>69,571,501</b>

## (2) Investing and financing activities that do not involve cash receipts and payments

In 2012, there were no investing and financing activities that did not involve cash receipts and payments (2011: nil).

## (3) Cash and cash equivalents

The cash and cash equivalents listed in the cash flow statements are set out below:

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Cash	3,355,272	2,682,215	3,340,879	2,677,755
Unrestricted deposits with central bank	21,510,328	10,066,797	21,464,336	10,052,902
Original maturity within three months:				
- Due from banks and other financial institutions	22,242,461	83,577,757	22,083,451	83,472,083
- Placements with banks and other financial institutions	9,013,535	15,353,676	9,013,535	15,353,676
- Assets purchased under resale agreements	13,410,898	8,000,070	13,410,898	8,000,070
- Trading assets	211,744	-	211,744	-
Total	69,744,238	119,680,515	69,524,843	119,556,486

**48 Segmental information**

The Group's management evaluated the operation results from corporate banking, retail banking and treasury business perspective. The segment income, profit, assets and capital expenditures listed in the operating segment report including all the related items that could be directly attributable to a segment or allocated based on reasonable basis. As part of assets and liabilities management, the Bank's fund is allocated to each segment based on the business nature, and the fund pricing is calculated according to the benchmark interest rates issued by PBOC or current market interest rates, and internal transactions have been eliminated during the preparation of the financial statements.

Corporate banking business - providing banking services for corporate customers, including deposit taking, loan lending, trade finance, agency service, entrusting services and credit assurance.

Retail banking business - providing banking services for individual customers, including savings, investment saving, entrusting, bank cards, credit and individual assets management, settlement, agent and credit assurance.

Treasury business - including trading of the derivatives of interest rate and foreign exchanges, trading in money markets, securities investment and assets and liabilities management.

Other business - including segments that could not be listed separately or could not be divided by any reasonable benchmark.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

Consolidated  
2012

	Corporate banking	Retail banking	Treasury	Others	Total
<b>I. Operating income</b>					
Net interest income- external	13,624,589	1,114,995	9,883,206	-	24,622,790
Net interest income- internal	3,888,651	1,977,055	(5,865,706)	-	-
Net interest income	17,513,240	3,092,050	4,017,500	-	24,622,790
Net fee and commission income	1,822,978	453,620	395,893	-	2,672,491
Net gains on investments	-	-	354,610	3,310	357,920
Fair value changes	-	-	(41,461)	-	(41,461)
Exchange gain	64,885	9,099	19,887	-	93,871
Other operating income	30,142	981	80,126	-	111,249
<b>II. Operating expenses</b>					
Operating and administrative expense	(5,854,961)	(1,633,592)	(1,634,119)	-	(9,122,672)
Allowance for impairment losses	(3,149,078)	(815,981)	38,151	(785)	(3,927,693)
Other operating expense	-	-	(11,701)	-	(11,701)
<b>III. Operating income</b>	10,427,206	1,106,177	3,218,886	2,525	14,754,794
Net non-operating income	-	-	-	14,741	14,741
<b>IV. Profit before tax</b>	10,427,206	1,106,177	3,218,886	17,266	14,769,535
Income tax expense					(3,085,681)
<b>V. Net profit</b>					11,683,854
Depreciation and amortization	560,958	236,970	253,043	-	1,050,971
Capital expenditure	1,567,179	599,627	860,222	-	3,027,028
31 December 2012					
Total Assets	514,345,740	118,705,362	483,406,130	3,511,694	1,119,968,926
Total Liabilities	580,148,535	143,699,928	324,353,707	76,042	1,048,278,212



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

Consolidated  
2011

	Corporate banking	Retail banking	Treasury	Others	Total
<b>I. Operating income</b>					
Net interest income- external	11,533,326	621,262	6,617,394	-	18,771,982
Net interest income- internal	2,206,876	1,794,259	(4,001,135)	-	-
Net interest income	13,740,202	2,415,521	2,616,259	-	18,771,982
Net fee and commission income	1,013,757	330,974	267,999	-	1,612,730
Net gains on investments	-	-	236,296	(59,993)	176,303
Fair value changes	-	-	10,820	-	10,820
Exchange gain	64,902	11,791	(25,194)	-	51,499
Other operating income	30,713	916	72,771	-	104,400
<b>II. Operating expenses</b>					
Operating and administrative expense	(4,346,809)	(1,923,855)	(669,455)	-	(6,940,119)
Allowance for impairment losses	(1,805,924)	(624,832)	2,443	2,974	(2,425,339)
Other operating expense	-	-	(11,701)	-	(11,701)
<b>III. Operating income</b>	8,696,841	210,515	2,500,238	(57,019)	11,350,575
Net non-operating income	-	-	-	46,907	46,907
<b>IV. Profit before tax</b>	8,696,841	210,515	2,500,238	(10,112)	11,397,482
Income tax expense					(2,451,497)
<b>V. Net profit</b>					8,945,985
Depreciation and amortization	474,654	214,885	145,742	-	835,281
Capital expenditure	721,734	369,493	252,230	-	1,343,457
31 December 2011					
Total Assets	435,786,548	90,461,131	427,623,810	2,627,187	956,498,676
Total Liabilities	505,105,211	118,379,585	282,504,633	75,724	906,065,153

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

Bank  
2012

	Corporate banking	Retail banking	Treasury	Others	Total
<b>I. Operating income</b>					
Net interest income-external	13,610,066	962,860	9,921,881	-	24,494,807
Net interest income-internal	3,888,651	1,977,055	(5,865,706)	-	-
Net interest income	17,498,717	2,939,915	4,056,175	-	24,494,807
Net fee and commission income	1,821,914	406,578	395,893	-	2,624,385
Net gains on investments	-	-	354,610	3,310	357,920
Fair value changes	-	-	(41,461)	-	(41,461)
Exchange gain	64,885	9,099	19,887	-	93,871
Other operating income	32,505	964	80,126	-	113,595
<b>II. Operating expense</b>					
Operating and administrative expense	(5,843,645)	(1,566,207)	(1,626,971)	-	(9,036,823)
Allowance for impairment losses	(3,148,763)	(789,486)	38,151	(649)	(3,900,747)
Other operating expense	-	-	(11,701)	-	(11,701)
<b>III. Operating income</b>	<b>10,425,613</b>	<b>1,000,863</b>	<b>3,264,709</b>	<b>2,661</b>	<b>14,693,846</b>
Net non-operating income	-	-	-	4,768	4,768
<b>IV. Profit before tax</b>	<b>10,425,613</b>	<b>1,000,863</b>	<b>3,264,709</b>	<b>7,429</b>	<b>14,698,614</b>
Income tax expense					(3,067,882)
<b>V. Net profit</b>					<b>11,630,732</b>
Depreciation and amortization	559,558	234,600	251,247	-	1,045,405
Capital expenditure	1,563,771	595,092	856,419	-	3,015,282
31 December 2012					
Total Assets	514,037,391	116,412,465	483,339,102	3,854,611	1,117,643,569
Total Liabilities	579,773,346	143,295,746	322,912,737	76,042	1,046,057,871

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

Bank  
2011

	Corporate banking	Retail banking	Treasury	Others	Total
<b>I. Operating income</b>					
Net interest income-external	11,532,313	591,926	6,610,194	-	18,734,433
Net interest income-internal	2,206,876	1,794,259	(4,001,135)	-	-
Net interest income	13,739,189	2,386,185	2,609,059	-	18,734,433
Net fee and commission income	1,012,403	327,920	267,999	-	1,608,322
Net gains on investments	-	-	238,917	(59,993)	178,924
Fair value changes	-	-	9,038	-	9,038
Exchange gain	64,902	11,791	(25,194)	-	51,499
Other operating income	30,710	911	72,771	-	104,392
<b>II. Operating expense</b>					
Operating and administrative expense	(4,339,465)	(1,891,261)	(666,745)	-	(6,897,471)
Allowance for impairment losses	(1,806,016)	(617,169)	2,443	2,974	(2,417,768)
Other operating expense	-	-	(11,701)	-	(11,701)
<b>III. Operating income</b>	8,701,723	218,377	2,496,587	(57,019)	11,359,668
Net non-operating income	-	-	-	46,823	46,823
<b>IV. Profit before tax</b>	8,701,723	218,377	2,496,587	(10,196)	11,406,491
Income tax expense					(2,451,838)
<b>V. Net profit</b>					8,954,653
Depreciation and amortization	474,088	213,540	144,724	-	832,352
Capital expenditure	718,463	366,067	249,825	-	1,334,355
31 December 2011					
Total Assets	435,668,286	89,768,662	427,602,239	2,953,627	955,992,814
Total Liabilities	504,842,831	118,233,262	282,444,681	75,711	905,596,485

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## VIII CONTINGENT LIABILITIES AND COMMITMENTS

## 1 Credit commitments

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Bank acceptances	81,944,651	49,925,660
Loan and other credit commitments	47,278,105	10,728,065
Letters of guarantee issued	27,592,194	21,127,729
Interbank Reimbursement	3,034,351	17,776,570
Letters of credit issued	2,713,230	2,733,673
Total	162,562,531	102,291,697

## 2 Operating lease

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Within 1 year	435,968	330,350	430,936	328,580
Between 1 and 2 years	389,518	274,325	384,402	274,325
Between 2 and 3 years	387,558	236,367	382,350	236,367
Over 3 years	1,602,939	808,902	1,543,007	808,902
Total	2,815,983	1,649,944	2,740,695	1,648,174

## 3 Assets pledged

Some assets are pledged as collateral under treasury time deposits and repurchase agreements. As at 31 December 2012 and 31 December 2011, PBOC bills, bonds and other assets were pledged under the repurchase agreements by which the parties accepted the pledges had no right to sell or re-pledge.

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Investment securities issued by:		
- Government	38,109,173	42,364,108
- Central bank	6,061,928	13,468,562
- Policy banks	12,744,587	32,268,301
- Corporates	-	1,984,908
Bank acceptances	194,205	249,580
Commercial acceptances	-	20,000

The pledged assets accepted by the Group in relation to repurchase agreements cannot be sold or re-pledged.

## 4 Capital commitments

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Contracted but not provided for	1,263,470	112,076	1,261,463	108,891
Authorised but not contracted for	500,490	66,635	500,290	66,635

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

The capital commitment above represents commitment for capital expenditures, including the purchase of real estates, equipment and system development. The management of the Group believes that the current level of liquidity and the future profitability of the Bank can meet the above commitment.

### 5 Underwriting liabilities

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Short-term and medium-term financing bills, and special non-public instruments	43,313,780	14,289,000

The commitment above represents the portion of commitment that had been approved by the regulatory authorities but had not been issued in the underwriting of securities by the Group and Bank.

### 6 Bearer bonds and savings-type treasury bonds redemption commitments

As at 31 December 2012, the amount of bearer bonds and savings-type treasury bonds that the Bank had an obligation to redeem prior to maturity was RMB6,702 million (31 December 2011: RMB9,063 million). The original maturities of these bonds vary from 1 to 5 years.

### 7 Legal proceedings

The Group was involved as a defendant in a number of outstanding litigations and issues that may lead to litigation and claims. As at 31 December 2012, provision of RMB39.42 million was made (31 December 2011: RMB39.31 million). Management of the Group believes that the ultimate outcome of these lawsuits will not have a material impact on the financial position or operating results of the Group.

## IX SUBSEQUENT EVENTS

### 1 Bond issuance

Pursuant to "Approval of CBRC regarding the Bond Issuance of Bank of Beijing Co., Ltd." (Yinjianfu [2012] No. 528) issued by CBRC and the "Letter of Administrative Approval of the People's Bank of China (Yin Shichang Xu Zhunyu Zi [2012] No. 88) issued by PBOC, the Bank issued the following bonds totaling RMB 30 billion in the national interbank bond market from 28 February to 4 March 2013:

- 2013 5-Year Fixed-Rate Bonds with a par value of RMB 20 billion and interests paid annually at an interest rate of 4.3%;
- 2013 5-Year Floating-Rate Bonds with a par value of RMB 10 billion and a coupon rate based on the benchmark interest rate plus the basic interest spread. The benchmark rate is the one-year time deposit interest rate published by PBOC prevailing on the date of issuance and interest accrual dates of other interest-bearing years. The basic interest spread is 130 basis points and fixed over the duration of the bond. Interest is payable annually.

## X RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1 Related parties

If a party has the power, whether directly or indirectly, to control, jointly control or exercise significant influence over another party, or if two or more parties are subject to control, joint control or significant influence from the same party, the related party relationships shall be deemed to have been constituted. Individuals or companies are likely to be related parties.

(1) The shareholders with 5% or more shares of the Bank:

The related parties' names and shareholders with 5% or more shares of the Bank are shown as below:

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

Related parties	31 December 2012		31 December 2011	
	Shares (thousand)	Percentage (%)	Shares (thousand)	Percentage (%)
ING BANK N.V.	1,200,582	13.64	1,000,485	16.07
Beijing State-owned Assets Management Co., Ltd.	777,796	8.84	648,164	10.41
Beijing Energy Investment Holding Co., Ltd.	446,649	5.08	372,207	5.98

## (2) Subsidiaries, associates and joint ventures

For the information of the subsidiaries, associates and joint ventures of the Bank including the basic information, the registered capital and the shares held by the Bank, please refer to Notes VI and Notes VII.12.

## (3) Other related parties

Other related parties include key management, enterprises controlled, jointly controlled or under significant influence of key management or their close family members.

**2 Related party transactions and balances**

The Bank has normal banking transactions with related parties in daily operations. These transactions mainly include deposits and loans. Related party transactions of the Bank are all carried out according to the ordinary commercial terms and normal business causes, and the pricing principles are consistent with transactions with independent third parties.

## (1) Transaction and balance with subsidiaries

	31 December 2012	31 December 2011
	Bank	Bank
Placements with banks and other financial institutions	110,000	90,000
Due to banks and other financial institutions	72,782	51,353
Due from banks and other financial institutions	71,160	11,281

	2012 Bank	2011 Bank
Interest rate range		
Due to banks and other financial institutions	0.36%-0.72%	0.5%-5.34%
Due from banks and other financial institutions	0.5%-6.5%	0.72%-6.9%
Placements with banks and other financial institutions	5.8%	5.93%-5.9853%
Assets purchased under resale agreements	-	2%-3.17%

	2012 Bank	2011 Bank
Interest income of placements with banks and other financial institutions	6,749	774
Other operating income	2,610	-
Interest income of due from banks and other financial institutions	899	230
Fee and commission income	67	539
Interest income of assets purchased under resale agreements	-	3,702
General and administrative expense	(66)	-
Interest expense of due to banks and other financial institutions	(511)	(1,140)

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## (2) Transaction and balance with associate

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Placements from banks and other financial institutions	31,153	37,770

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest rate range		
Placements from banks and other financial institutions	0.25%-3.20%	3.40%

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest expense of placements from banks and other financial institutions	(832)	(136)

## (3) Transaction and balance with joint venture

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Due to banks and other financial institutions	7,173	150,000

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest rate range		
Due to banks and other financial institutions	0.36%-1.49%	0.5%
Assets purchased under resale agreements	2.47%	-

	2012 Consolidated and Bank	2011 Consolidated and Bank
Fee and commission income	23,932	14,376
Interest income of assets purchased under resale agreements	53	-
Interest expense of due to banks and other financial institutions	(457)	(29)

## (4) Transactions and balance with shareholders with 5% or more shares of the Bank

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Loans and advances to customers	2,350,000	850,000
Placements from banks and other financial institutions	1,048,348	-
Customer deposits	565,628	736,349
Investment securities	193,500	250,000
Due to banks and other financial institutions	180,000	120,000
Off-balance sheet items *	56,155	1,871,421
Due from banks and other financial institutions	15,243	44,093

\* The off-balance sheet items include letter of guarantee issued, standby and letter of credit payment.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest rate range		
Loans and advances to customers	5.265%-6.888%	5.229%-6.888%
Customer deposits	0.36%-2.5%	0.36%-2.5%
Due from banks and other financial institutions	-	-
Placements with banks and other financial institutions	0.16%	1.68%-2.70%
Placements from banks and other financial institutions	1.1503%-1.313%	2.91%-6.42%
Due to banks and other financial institutions	3.85%-6%	3.7%-7.35%

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest income of loans and advances to customers	100,022	23,759
Notes underwriting income	17,570	3,060
Interest income of placements with banks and other financial institutions	55	7,838
Interest expense of customer deposit	(8,864)	(5,107)
Interest expense of due to banks and other financial institutions	(7,212)	(4,686)
Interest expense of placements from banks and other financial institutions	(2,672)	(2,182)

## (5) Transactions and balance with other related parties

As at 31 December 2012, 39 entities were related parties of the Bank as key management personnel (mainly directors and supervisors) of the Bank acting as directors or general managers. One entity was related party of the Bank as controlled, jointly controlled or under significant influence of key management or their close family members.

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Loans and advances to customers	2,536,610	3,653,680
Customer deposits	573,881	422,294
Placements with banks and other financial institutions	500,000	350,000
Bond investment	470,000	130,000
Due to banks and other financial institutions	70,807	60,202
Derivative financial assets	3,344	-
Letter of guarantee/stand-by letter of credit	-	2,098

	2012 Consolidated and Bank	2011 Consolidated and Bank
Interest rate range		
Placements with banks and other financial institutions	5.1%-7.6%	6.59%
Loans and advances to customers	5.4%-7.98%	5.81%-7.98%
Customers deposits	0.36%-3.5%	0.36%-3.5%
Assets purchased under resale agreements	2.25%-5.8%	-
Assets sold under repurchase agreements	1.9%	4.98%-7.72%
Due to banks and other financial institutions	0.72%-1.62%	0.5%-3.77%
Letter of guarantee/stand-by letter of credit	-	0.11271%/quarter-1.5%/quarter



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	2012 Consolidated and Bank	2011 Consolidated and Bank
Notes underwriting income	5,700	5,828
Fee and commission income	1,886	-
Interest income of assets purchased under resale agreements	22	-
Interest income of placements with banks and other financial institutions	26,324	705
Interest income of loans and advances to customers	183,670	211,780
Interest expense of customer deposits	(7,524)	(3,788)
Interest expense of assets sold under repurchase agreements	(618)	(1,537)
Interest expense of due to banks and other financial institutions	(502)	(1,489)
General and administrative expense	(319)	(335)

## (6) Transactions and balance with key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and senior management.

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Deposits	7,490	9,632

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Shares of the Bank held (In thousands)	5,106	4,255

	2012 Consolidated and Bank	2011 Consolidated and Bank
Salaries and short-term welfare	17,027	23,173
Employment benefits, retirement plan and other long-term welfare	317	227

The remuneration (before tax) of the bank's directors, supervisors and senior management personnel is in the progress of confirmation. The rest of their total remuneration will be disclosed after confirmation. The payment of salaries and welfare to non-Chinese directors are included in salaries and short-term welfare.

## XI FINANCIAL RISK MANAGEMENT

### 1 Overview of financial risk management

The Group extensively used financial instruments in its operating activities. The Group accepts deposits from customers at both fixed and floating rates for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by lending short-term funds to long term loans at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. The Group operates its business in China mainland under an interest rate scheme regulated by PBOC.

The Group also seeks to raise its interest margins by obtaining above-average margins through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

advances to customers, but also guarantees and other commitments, such as letters of credit, guarantees, and acceptances.

The Group faces various financial risks during its operating activities, mainly including credit risk, market risk and liquidity risk. In managing its risks, the Group focuses on the identification, measurement, monitoring and controlling of various risks, and complies with the requirements of the regulatory authorities, depositors and other stakeholders.

The Board of Directors is the supreme decision-making institution for the risk management of the Group, which is responsible for determining the credit risk appetite and risk tolerance of the Group. The Risk Management Committee of the Board of Directors is authorised to approve the risk management strategies, policies and procedures. Senior management of the Group authorised the Credit Risk Committee, the Credit Risk Policies Committee, the Assets and Liabilities Committee, the Investment Approval Committee and the Operation Risk Committee, which are responsible for the controlling on the credit risk, market risk, and liquidity risk and the approval of related policies and procedures within their respective terms of reference. In addition, as part of its enterprise-wide risk management, the Group has set up the headquarter for Risk Management, including Risk Management Department (comprised by Market Risk Division, Credit Risk Division), Credit Approval Department, Credit Review Department, Assets Management Department and the Law Compliance Department (comprised by Operation Risk Division) under the former, to perform different risk management functions and strengthen the synergistic management of the three major risks.

### 2 Credit risk

Credit risk is the risk of loss that counterparty may not meet its obligations according to the original contractual terms of its facility with the Group. Credit risk is the greatest risk connected to the Group's operating activities, and the management manages its credit risk exposure in line with prudent principles. The credit risks faced by the Group mainly arising from its loan portfolio, investment portfolio, trade finance, inter-bank business, guarantees and other payment commitments.

The Risk Management Committee determines, coordinates and arranges the procedures to avoid the credit risk of the Group, and manages credit risk by professional methods and procedures in credit approval, centralized monitoring, centralized operation and settlement of non-performing assets and so on. The credit risk management functions of the Group comprise the following hierarchies: the overall credit risk control is implemented by the Risk Management Department of the Head Office in collaboration with risk management functional departments of the Head Office including the Credit Approval Department, Post-lending Management Department, Asset Management Department and Legislation and Compliance Department; for credit risk-based products and business lines, the Group has set up dedicated functions to address credit risks, including the Credit Approval Department, Small and Middle Enterprise Centre, Retail Loan Centre, Vouchers and Certificates Centre and other professional institutions; where appropriate, the Group also sets up regional risk management departments or branch risk management departments to manage the credit risks in their respective jurisdiction.

#### (1) Credit risk measurement

##### a Loans and advances to customers

Monitoring and measurement of credit risk over loans and advances and off-balance sheet credit related exposures is performed by the Risk Management Department, and reported to the senior management and Board of Directors regularly.

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the "Guiding Principles on the Classification of Loan Risk Management" issued by the CBRC, which requires Chinese commercial banks to classify their corporate and personal loans into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

Guidelines on risk-based loan classification defines the five grading as follows:

**Pass:** The borrower can meet its contractual obligations, and there is no doubt on the borrower's ability to repay the scheduled principal and interest payments in full and on time.

**Special mention:** Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential indications that may affect its ability to repay in the future.

**Sub-standard:** The borrower's repayment ability is apparently in question. It cannot depend on its normal operating revenue to repay in full the principal and interest. Even when the Group executes the guarantee or realises the collateral, there is possibility of some loss.

**Doubtful:** The borrower cannot repay the principal and interest in full. Even when the Group executes the guarantee or realises the collateral, there is possibility of substantial loss.

**Loss:** After exhausting all possible means of recovery actions or taking the necessary legal actions, there is still no recovery of principal and interest, or the recovery is negligible.

### b Debt securities and other bills

The Credit Risk Committee of the Group sets credit limits for each customer in its treasury transactions (including counterparties, debt issuers, etc.) and monitors the credit risk dynamically. Derivative financial instruments are converted to utilised credit limit using a conversion coefficient that matches the risk factors and maturities of the derivative financial instruments. The Treasury Department engages in debt securities and derivative financial instruments transactions within these limits.

Debt securities in foreign currencies include mainly sovereign bonds issued overseas by the Chinese government or bonds issued overseas by quasi-sovereign issuers, such as Chinese policy banks, sovereign bonds in major convertible currencies issued by countries with a sovereign rating of AA- and above or quasi-sovereign bonds issued by quasi-sovereign issuers, including the government agencies of these countries, and bonds with a rating of A and above issued by financial institutions.

RMB debt securities include mainly treasury bonds issued by the Ministry of Finance, notes issued by PBOC in open markets, financial bonds issued by Chinese policy related banks, and bonds issued by other debt issuers who meet relevant regulatory requirements and basic conditions prescribed by the Group.

### c Other business activities

Other business activities mainly include inter-bank operations, guarantees and other payment commitments. The Group's Credit Risk Committee is responsible for setting and dynamically monitoring the credit limits for counterparties. With respect to credit risk associated with new businesses and products, including beneficial interests in resale agreements and investments in structured products, the Investment Review Committee is responsible for risk review and approval.

## (2) Risk limit management and risk mitigation measures

The Group controls its credit risks mainly through establishing and implementing strict investigation, review and approval and loan origination and placement procedures for its lending activities, regular analysis of the ability to repay interests and principals of its existing and potential customers, appropriate adjustments of credit limits, and creating and applying risk control measures in a timely manner. In addition, the Group acquires collateral and guarantees to help mitigate its credit risks.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

### Credit risk limit management

#### a Loans and advances to customers

The Group has developed its guidelines for credit risk limit management, defining the credit risk limits for individual customers, single group customer, regions and industries and the parties responsible for monitoring and managing credit risk limits. The credit limit management guidelines have been approved by the Risk Management Committee for implementation, and operations in excess of credit limits must be reported to the Presidents' meeting or the Risk Management Committee for approval before they can be engaged.

On the basis of the regulatory indicators and the risk concentration indicators prescribed in its credit policies, the Group analyses on a regular basis the compliance with relevant risk limits, reports the results on a monthly basis to the senior management and on a quarterly basis to the Risk Management Committee and regulatory authorities, and discloses relevant information to the public on a regular basis in compliance with the information disclosure policies and regulatory information disclosure requirements.

#### b Debt securities and other investments

The Group sets limits for its debt securities portfolio, issuers and single issue of debt securities so as to manage credit risks on debt securities on a portfolio basis.

### Risk mitigation measures

#### c Guarantee and collateral

The Group requires guarantee from borrowers as a measure for risk mitigation based on the level of credit risk involved. Collateral is widely used as a mean of guarantee in the Group's credit facilities. Collateral acceptable to the Group include mainly marketable securities, debt securities, equity shares, real estate properties, land use rights, machinery and equipment, transportation vehicles, etc.

The Group appoints professional intermediaries to assess the value of the collateral, and uses the assessment report from professional intermediaries to support its decision-making during the review process. In the Group, the Credit Risk Management Committee and other authorised review and approval bodies at the Head Office are responsible for validating the assessment results and making final decisions on the collateral rates for the Group's lending activities.

After granting the credit facilities, the Group requires dynamic understating and updated knowledge of the ownership, status, amount, market value and realisable value of collateral, and post-lending management of collateral at least on a quarterly basis. At the same time, the Group begins to arrange re-assessment of collateral on an annual basis. If a loan becomes impaired, the value of collateral shall be considered to determine whether additional collateral or collateral with higher reliability should be provided by the borrower.

For loans secured with guarantee from third parties, the Group applies the same procedures and standards applicable to the borrowers to assess the guarantor's financial position, credit records and ability to meet its obligations.

For financial assets other than investment securities classified as receivables, the collateral shall depend on the types of financial instruments. Debt securities are generally not secured with collateral, while credit risks of asset-backed securities are generally enhanced with subordinated bonds.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

### d 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 balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the customer are terminated and settled on a net basis.

### e Credit commitments

The main objective of credit commitments is to ensure that customers get the funds they need. The Group makes irrevocable guarantee when it issues letters of guarantee and letters of credit, i.e. the Group shall make repayments on behalf of the customer if the customer cannot meet its repayment obligations to a third party, and the Group assumes the same credit risks as a loan. In certain circumstances, the Group receives margin deposit to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the customer.

### (3) Impairment analysis on credit assets and the provision policies

According to the Group's accounting policies, if objective evidence indicates a decrease of expected future cash flow from a loan and that such decrease can be estimated, the Group recognises an impairment loss on the loan and accordingly makes impairment loss provisions.

The criteria for objective evidence used by the Group to determine impairment includes:

- Default or delinquency in repayment of interests or principals;
- Financial difficulty of the borrower (e.g. deterioration of indicators, including equity ratio, the ratio of net profit against income);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Downgrading to below investment grade level.

The Group reviews at least once every quarter the quality of individually significant financial assets. For assets whose allowance is provided individually, the Group assesses the loss of each of such assets at the balance sheet date to determine the amount of provision. During the assessment, the Group usually considers the value of the collateral for and future cash flows from these assets.

The Group provides allowance for the following asset portfolios based on historical data, empirical judgement and statistical techniques: (1) group of individually insignificant assets with similar credit risk characteristics; (2) impaired assets which have not been identified yet.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## (4) Maximum risk exposure

The following shows the Group and the Bank's maximum credit risk exposures on the balance sheet as at 31 December 2012 and 31 December 2011 without any consideration of collateral, guarantees or other credit mitigation measures. For on-balance sheet financial assets, the credit risk exposure is their carrying values at the balance sheet date.

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Credit risk exposures relating to on-balance sheet financial assets are as follows:				
Deposits with central bank	143,567,737	123,302,250	143,455,823	123,231,745
Due from banks and other financial institutions	60,889,427	114,193,383	60,730,417	114,087,708
Placements with banks and other financial institutions	74,099,817	96,732,846	74,209,817	96,822,846
Trading assets	7,040,694	5,360,628	7,040,694	5,360,628
Derivative financial instruments	30,317	22,225	30,317	22,225
Assets purchased under resale agreements	88,487,945	23,228,642	88,487,945	23,228,642
Interest receivable	7,005,354	5,073,159	6,994,758	5,070,814
Loans and advances to customers				
- Corporate loans and advances	395,404,461	330,536,982	395,377,566	330,528,103
- Retail loans	88,040,827	65,539,936	85,616,878	64,829,696
Available-for-sale financial assets	94,983,055	86,303,501	94,983,055	86,303,501
Held-to-maturity investments	97,055,045	88,572,964	97,055,045	88,572,964
Investment securities classified as receivables	50,311,210	8,576,743	50,311,210	8,576,743
Other financial assets	574,996	127,712	570,462	127,463
Sub-total	1,107,490,885	947,570,971	1,104,863,987	946,763,078
Credit risk exposures relating to off-balance sheet are as follows:				
Bank acceptances	81,944,651	49,925,660	81,944,651	49,925,660
Loan and other credit commitments	47,278,105	10,728,065	47,278,105	10,728,065
Letters of guarantee	27,592,194	21,127,729	27,592,194	21,127,729
Interbank reimbursement	3,034,351	17,776,570	3,034,351	17,776,570
Letters of credit	2,713,230	2,733,673	2,713,230	2,733,673
Sub-total	162,562,531	102,291,697	162,562,531	102,291,697
Total	1,270,053,416	1,049,862,668	1,267,426,518	1,049,054,775

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## (5) Overdue and impairment of financial assets

Overdue and impaired loans and advances to customers, due from banks and other financial institutions, placements with banks and other financial institutions, assets purchased under resale agreements, available-for-sale financial assets and held-to-maturity investments:

	Loans and advances to customers			Due from banks and other financial institutions	Placements with banks and other financial institutions	Assets purchased under resale agreements	Available-for-sale financial assets	Held-to-maturity investments	Investment securities classified as receivables
	Corporate loans and advances	Retail loans	Total						
31 December 2012									
Consolidated									
Neither overdue nor impaired	404,327,965	89,014,754	493,342,719	60,889,427	74,099,817	88,487,945	94,983,055	97,055,045	50,311,210
Overdue but not impaired	-	423,213	423,213	-	-	-	-	-	-
Impaired	2,417,794	536,508	2,954,302	220,432	344,617	76,850	44,166	-	-
Total	406,745,759	89,974,475	496,720,234	61,109,859	74,444,434	88,564,795	95,027,221	97,055,045	50,311,210
Less: allowance for impairment losses	(11,341,298)	(1,933,648)	(13,274,946)	(220,432)	(344,617)	(76,850)	(44,166)	-	-
Net value	395,404,461	88,040,827	483,445,288	60,889,427	74,099,817	88,487,945	94,983,055	97,055,045	50,311,210
31 December 2011									
Consolidated									
Neither overdue nor impaired	337,269,482	65,916,555	403,186,037	114,193,383	96,732,846	23,228,642	86,303,501	88,572,964	8,576,743
Overdue but not impaired	-	287,994	287,994	-	-	-	-	-	-
Impaired	1,669,202	466,282	2,135,484	226,317	360,868	85,370	54,262	-	-
Total	338,938,684	66,670,831	405,609,515	114,419,700	97,093,714	23,314,012	86,357,763	88,572,964	8,576,743
Less: allowance for impairment losses	(8,401,702)	(1,130,895)	(9,532,597)	(226,317)	(360,868)	(85,370)	(54,262)	-	-
Net value	330,536,982	65,539,936	396,076,918	114,193,383	96,732,846	23,228,642	86,303,501	88,572,964	8,576,743
31 December 2012									
Bank									
Neither overdue nor impaired	404,300,665	86,608,937	490,909,602	60,730,417	74,209,817	88,487,945	94,983,055	97,055,045	50,311,210
Overdue but not impaired	-	380,523	380,523	-	-	-	-	-	-
Impaired	2,417,794	525,896	2,943,690	220,432	344,617	76,850	44,166	-	-
Total	406,718,459	87,515,356	494,233,815	60,950,849	74,554,434	88,564,795	95,027,221	97,055,045	50,311,210
Less: allowance for impairment losses	(11,340,893)	(1,898,478)	(13,239,371)	(220,432)	(344,617)	(76,850)	(44,166)	-	-
Net value	395,377,566	85,616,878	480,994,444	60,730,417	74,209,817	88,487,945	94,983,055	97,055,045	50,311,210
31 December 2011									
Bank									
Neither overdue nor impaired	337,260,513	65,198,412	402,458,925	114,087,708	96,822,846	23,228,642	86,303,501	88,572,964	8,576,743
Overdue but not impaired	-	287,053	287,053	-	-	-	-	-	-
Impaired	1,669,202	465,877	2,135,079	226,317	360,868	85,370	54,262	-	-
Total	338,929,715	65,951,342	404,881,057	114,314,025	97,183,714	23,314,012	86,357,763	88,572,964	8,576,743
Less: allowance for impairment losses	(8,401,612)	(1,121,646)	(9,523,258)	(226,317)	(360,868)	(85,370)	(54,262)	-	-
Net value	330,528,103	64,829,696	395,357,799	114,087,708	96,822,846	23,228,642	86,303,501	88,572,964	8,576,743

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

a Neither overdue nor impaired

The following table presents five-grading status of neither overdue nor impaired loans and advances to customers:

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Corporate loans and advances				
- Pass	392,222,073	325,522,018	392,194,773	325,513,049
- Special mention	12,105,892	11,747,464	12,105,892	11,747,464
	404,327,965	337,269,482	404,300,665	337,260,513
Retail loans				
- Pass	89,014,544	65,916,555	86,608,937	65,198,412
- Special mention	210	-	-	-
	89,014,754	65,916,555	86,608,937	65,198,412
Total	493,342,719	403,186,037	490,909,602	402,458,925

b Overdue but not impaired

Unless there are impairment indications, financial assets overdue for less than 90 days are generally not regarded as impaired, overdue but unimpaired financial assets are disclosed by overdue days as follows:

Consolidated

	Loans and advances to customers		
	Corporate loans and advances	Retail loans	Total
31 December 2012			
Overdue up to 30 days	-	325,309	325,309
Overdue 30-60 days	-	55,613	55,613
Overdue 60-90 days	-	42,291	42,291
Total	-	423,213	423,213

	Loans and advances to customers		
	Corporate loans and advances	Retail loans	Total
31 December 2011			
Overdue up to 30 days	-	218,588	218,588
Overdue 30-60 days	-	52,899	52,899
Overdue 60-90 days	-	16,507	16,507
Total	-	287,994	287,994



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## Bank

	Loans and advances to customers		
	Corporate loans and advances	Retail loans	Total
31 December 2012			
Overdue up to 30 days	-	296,717	296,717
Overdue 30-60 days	-	46,976	46,976
Overdue 60-90 days	-	36,830	36,830
Total	-	380,523	380,523

	Loans and advances to customers		
	Corporate loans and advances	Retail loans	Total
31 December 2011			
Overdue up to 30 days	-	217,975	217,975
Overdue 30-60 days	-	52,701	52,701
Overdue 60-90 days	-	16,377	16,377
Total	-	287,053	287,053

## c Financial assets impaired

## Loans and advances to customers

Loans and advances to customers impaired by guarantee are listed as follows:

## Consolidated

	31 December 2012	31 December 2011
Unsecured loans	137,264	300,757
Guaranteed loans	1,820,101	1,109,939
Collateralised and pledged loans		
- Collateralised loans	902,633	624,760
- Pledged loans	94,304	100,028
Total	2,954,302	2,135,484

## Bank

	31 December 2012	31 December 2011
Unsecured loans	126,652	300,352
Guaranteed loans	1,820,101	1,109,939
Collateralised and pledged loans		
- Collateralised loans	902,633	624,760
- Pledged loans	94,304	100,028
Total	2,943,690	2,135,079

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## (ii) Other impaired financial assets

The Group has set aside full provisions for the impaired placements with banks and other financial institutions, due from banks and other financial institutions, financial assets purchased under resale agreements which were carried forward from history.

## (6) Financial products investment

The following table presents the external rating agencies' ratings of the debt securities held by the Group as at 31 December 2012 and 31 December 2011:

31 December 2012

	Consolidated and Bank				Total
	Trading assets	Available-for-sale financial assets	Investment securities classified as receivables	Held-to-maturity investments	
RMB long-term bonds (1 year and above):					
AAA	3,001,925	10,188,845	5,057,000	10,711,169	28,958,939
AA- to AA+	748,298	1,236,877	507,895	1,130,586	3,623,656
Unrated, issued by:					
- Government	525,669	12,940,980	472,064	58,341,037	72,279,750
- Central bank	-	111,555	-	-	111,555
- Policy banks	985,453	46,337,357	-	22,125,419	69,448,229
- Other financial institutions	-	-	30,000	-	30,000
- Corporates	-	460,697	615,000	50,001	1,125,698
Sub-total	5,261,345	71,276,311	6,681,959	92,358,212	175,577,827
RMB short-term bonds (less than 1 year):					
AAA	-	1,490,027	-	705,774	2,195,801
AA- to AA+	-	139,499	-	-	139,499
A-1	1,325,023	878,248	-	-	2,203,271
Unrated, issued by:					
- Government	39,880	4,074,348	-	2,467,103	6,581,331
- Central bank	-	12,096,231	546,080	-	12,642,311
- Policy banks	10,044	5,021,399	-	1,523,956	6,555,399
- Corporate	404,402	-	-	-	404,402
Sub-total	1,779,349	23,699,752	546,080	4,696,833	30,722,014
Foreign currency bonds:					
Unrated, issued by:					
- Other financial institutions	-	6,992	-	-	6,992
Sub-total	-	6,992	-	-	6,992
Other financial assets	-	-	43,083,171	-	43,083,171
Total	7,040,694	94,983,055	50,311,210	97,055,045	249,390,004

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

31 December 2011

<b>Consolidated and Bank</b>					
	<b>Trading assets</b>	<b>Available-for-sale financial assets</b>	<b>Investment securities classified as receivables</b>	<b>Held-to-maturity investments</b>	<b>Total</b>
RMB long-term bonds (1 year and above):					
AAA	1,201,117	8,138,126	4,500,001	7,223,878	21,063,122
AA- to AA+	94,900	1,027,458	505,760	630,621	2,258,739
Unrated, issued by:					
- Government	557,630	7,327,025	920,898	53,757,440	62,562,993
- Central bank	-	12,260,046	-	-	12,260,046
- Policy banks	1,067,046	35,401,243	-	21,576,923	58,045,212
- Other financial institutions	-	41,888	1,030,000	1,000,000	2,071,888
- Corporate	-	475,882	-	500,000	975,882
Sub-total	2,920,693	64,671,668	6,956,659	84,688,862	159,237,882
RMB short-term bonds (less than 1 year):					
AAA	487,159	3,195,572	600,850	871,516	5,155,097
	24,255	297,149	-	-	321,404
A-1	1,552,292	531,553	-	-	2,083,845
Unrated, issued by:					
- Government	52,375	3,359,555	1,019,234	1,994,249	6,425,413
- Central bank	-	6,362,512	-	-	6,362,512
- Policy banks	323,854	6,923,307	-	659,522	7,906,683
- Policy banks	-	-	-	-	-
- Other financial institutions	-	-	-	-	-
Sub-total	2,439,935	20,669,648	1,620,084	3,525,287	28,254,954
Foreign currency bonds:					
AAA	-	-	-	-	-
A+	-	946,310	-	-	946,310
Unrated, issued by:					
- Policy banks	-	-	-	358,815	358,815
- Other financial institutions	-	15,875	-	-	15,875
Sub-total	-	962,185	-	358,815	1,321,000
<b>Total</b>	<b>5,360,628</b>	<b>86,303,501</b>	<b>8,576,743</b>	<b>88,572,964</b>	<b>188,813,836</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## (7) Foreclosed assets

The foreclosed assets held by the Group are presented by type and carrying value as follows:

	31 December 2012 Consolidated and Bank	31 December 2011 Consolidated and Bank
Buildings	27,518	27,518
Documents of titles or claims	62,093	62,093
Other	46,803	46,931
<b>Total</b>	<b>136,414</b>	<b>136,542</b>

Foreclosed assets shall be sold immediately after the balance sheet date when selling conditions are met. Foreclosed assets are included under other assets in the balance sheet.

## (8) Credit concentration risk on financial assets

## Geographical concentration

As at 31 December 2012 and 2011, the majority of the financial assets, financial guarantee, and relevant credit commitments held by the Group were based in mainland China. Please refer to Notes VII 8 for the geographical concentration analysis of loans and advances to customers.

## Industrial concentration

As at 31 December 2012 and 2011, the major assets of the Group comprised loans (including loans and advances to customers), securities investments (including trading assets, available-for-sale financial assets, investment securities classified as receivables and held-to-maturity investments) and reverse repos. Please refer to Notes VII 8 for the industrial concentration analysis of loans and advances to customers.

**3 Market risk**

Market risk refers to the potential loss in both on or off-balance sheet caused by market prices (interest rates, exchange rates) adverse changes.

The Group's business is divided into trading book and bank book. Trading book includes financial instruments and commodities positions held for trading to avoid market risk. Trading book intends to make profit from the short-term price fluctuations. Bank book includes other assets and liabilities (including those financial instruments purchased with surplus funds and managed in the investment book). Risk Management Department fulfils risk recognition, measurement and monitoring for trading book and investment book. Financial and Planning Department performs risk identification, measurement and risk monitoring for other bank book positions.

## (1) Techniques for measuring market risks

The Group established monitoring limitation, position limitation, risk limitation and stop-loss limitation systems to identify, monitor and control the market risk. According to the market condition and technical condition of the trading book, the Group established the Value at Risk ("VAR") method under normal market condition and performed stress testing for the market risk under the extreme circumstance scenario that the various changes in market conditions may occur.

The Group currently uses sensitivity analysis to assess its bank book's exposure to interest rate and exchange rate risks. The Group calculates on a regular basis the difference (gap) between interest-bearing assets and liabilities which become due within a certain period of time or need to be re-priced, and use the gap data to conduct sensitivity analysis of the Group's exposure to changes of benchmark rate, market interest rates and exchange rates, in order to support the adjustment of the re-priced maturity structure of interest-bearing assets and liabilities. The Group requires the escalation of sensitivity analysis, and the results of sensitivity are regularly summarised and reported to Assets Management

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

Committee and Risk Management Committee for review.

### (2) Currency risk

The Group's majority of business operations are denominated in RMB, and there is a small amount of business operations denominated in US dollar, Hong Kong dollar and other foreign currencies.

Changes in foreign exchange rates affect mainly the financial position and cash flows of the Group. Due to the limited volume of business in foreign currencies, foreign currency risks are insignificant to the Group. In controlling currency risks, the Group follows the key principle of maintaining optimal matching between its assets and liabilities in each currency, and monitoring its currency risk exposure on a daily basis.

The following table summarises the distribution of the Group's and Bank's financial assets and liabilities exposure to foreign currency exchange rate risks, and the carrying values in foreign currencies of assets, liabilities, financial guarantee and relevant credit commitments have been converted to RMB.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2012

	Consolidated				Total
	RMB	USD (in equivalent RMB)	HKD (in equivalent RMB)	Other currencies (in equivalent RMB)	
<b>Financial assets</b>					
Cash and deposits with central bank	145,714,426	1,127,718	39,158	41,707	146,923,009
Due from banks and other financial institutions	57,563,982	1,508,292	742,588	1,074,565	60,889,427
Placements with banks and other financial institutions	66,802,090	6,974,467	-	323,260	74,099,817
Trading assets	7,040,694	-	-	-	7,040,694
Derivative financial instruments	22,022	7,209	19	1,067	30,317
Assets purchased under resale agreements	88,487,945	-	-	-	88,487,945
Interest receivables	6,906,944	97,600	402	408	7,005,354
Loans and advances to customers	463,091,353	20,280,295	36,372	37,268	483,445,288
Available-for-sale financial assets	94,976,063	6,992	-	-	94,983,055
Held-to-maturity investments	97,055,045	-	-	-	97,055,045
Investment securities classified as receivables	50,311,210	-	-	-	50,311,210
Other financial assets	574,991	5	-	-	574,996
<b>Total financial assets</b>	<b>1,078,546,765</b>	<b>30,002,578</b>	<b>818,539</b>	<b>1,478,275</b>	<b>1,110,846,157</b>
<b>Due to banks and other financial institutions</b>					
	(240,737,341)	(461,296)	(344)	(762)	(241,199,743)
<b>Placements from banks</b>					
	(10,816,260)	(10,543,672)	-	(129,304)	(21,489,236)
<b>Derivative financial instruments</b>					
	(12,478)	(19,961)	-	(419)	(32,858)
<b>Assets sold under repurchase agreements</b>					
	(38,935,985)	-	-	-	(38,935,985)
<b>Customer deposits</b>					
	(694,452,595)	(18,341,323)	(247,452)	(731,095)	(713,772,465)
<b>Interest payable</b>					
	(7,834,120)	(68,627)	(243)	(554)	(7,903,544)
<b>Bonds issued</b>					
	(19,972,253)	-	-	-	(19,972,253)
<b>Other financial liabilities</b>					
	(1,991,765)	(568,783)	(395,240)	(60,304)	(3,016,092)
<b>Total financial liabilities</b>	<b>(1,014,752,797)</b>	<b>(30,003,662)</b>	<b>(643,279)</b>	<b>(922,438)</b>	<b>(1,046,322,176)</b>
<b>Net on-balance sheet position</b>	<b>63,793,968</b>	<b>(1,084)</b>	<b>175,260</b>	<b>555,837</b>	<b>64,523,981</b>
<b>Off-balance sheet commitments</b>	<b>156,182,152</b>	<b>5,470,145</b>	<b>200,198</b>	<b>710,036</b>	<b>162,562,531</b>

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2011

	Consolidated				Total
	RMB	USD (in equivalent RMB)	HKD (in equivalent RMB)	Other currencies (in equivalent RMB)	
<b>Financial assets</b>					
Cash and deposits with central bank	124,974,855	918,840	52,581	38,189	125,984,465
Due from banks and other financial institutions	108,714,252	4,131,482	625,892	721,757	114,193,383
Placements with banks and other financial institutions	93,784,756	2,499,609	-	448,481	96,732,846
Trading assets	5,360,628	-	-	-	5,360,628
Derivative financial instruments	19,265	2,402	-	558	22,225
Assets purchased under resale agreements	23,228,642	-	-	-	23,228,642
Interest receivables	5,032,662	38,392	2	2,103	5,073,159
Loans and advances to customers	390,308,923	5,704,858	60,356	2,781	396,076,918
Available-for-sale financial assets	85,341,315	962,186	-	-	86,303,501
Held-to-maturity investments	88,214,149	358,815	-	-	88,572,964
Investment securities classified as receivables	8,576,743	-	-	-	8,576,743
Long term equity investments	1,205,387	949	-	-	1,206,336
Other financial assets	127,707	5	-	-	127,712
<b>Total financial assets</b>	<b>934,889,284</b>	<b>14,617,538</b>	<b>738,831</b>	<b>1,213,869</b>	<b>951,459,522</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	(167,781,258)	(262,608)	(1)	(1)	(168,043,868)
Placements from banks	(20,360,000)	(37,770)	-	-	(20,397,770)
Derivative financial instruments	(17,906)	(1,026)	-	(604)	(19,536)
Assets sold under repurchase agreements	(72,094,646)	-	-	-	(72,094,646)
Customer deposits	(600,422,814)	(12,010,856)	(750,119)	(1,057,392)	(614,241,181)
Interest payable	(5,764,288)	(64,252)	(321)	(2,377)	(5,831,238)
Bonds issued	(19,962,173)	-	-	-	(19,962,173)
Other financial liabilities	(2,370,196)	(618,085)	(538,893)	(138,528)	(3,665,702)
<b>Total financial liabilities</b>	<b>(888,773,281)</b>	<b>(12,994,597)</b>	<b>(1,289,334)</b>	<b>(1,198,902)</b>	<b>(904,256,114)</b>
<b>Net on-balance sheet position</b>	<b>46,116,003</b>	<b>1,622,941</b>	<b>(550,503)</b>	<b>14,967</b>	<b>47,203,408</b>
<b>Off-balance sheet commitments</b>	<b>86,179,985</b>	<b>15,002,949</b>	<b>17,844</b>	<b>1,090,919</b>	<b>102,291,697</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2012

	Bank				Total
	RMB	USD (in equivalent RMB)	HKD (in equivalent RMB)	Other currencies (in equivalent RMB)	
<b>Financial assets</b>					
Cash and deposits with central bank	145,588,119	1,127,718	39,158	41,707	146,796,702
Due from banks and other financial institutions	57,404,972	1,508,292	742,588	1,074,565	60,730,417
Placements with banks and other financial institutions	66,912,090	6,974,467	-	323,260	74,209,817
Trading assets	7,040,694	-	-	-	7,040,694
Derivative financial instruments	22,022	7,209	19	1,067	30,317
Assets purchased under resale agreements	88,487,945	-	-	-	88,487,945
Interest receivables	6,896,348	97,600	402	408	6,994,758
Loans and advances to customers	460,640,509	20,280,295	36,372	37,268	480,994,444
Available-for-sale financial assets	94,976,063	6,992	-	-	94,983,055
Held-to-maturity investments	97,055,045	-	-	-	97,055,045
Investment securities classified as receivables	50,311,210	-	-	-	50,311,210
Other financial assets	570,457	5	-	-	570,462
<b>Total financial assets</b>	<b>1,075,905,474</b>	<b>30,002,578</b>	<b>818,539</b>	<b>1,478,275</b>	<b>1,108,204,866</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	(240,789,622)	(461,296)	(344)	(762)	(241,252,024)
Placements from banks	(9,366,260)	(10,543,672)	-	(129,304)	(20,039,236)
Derivative financial instruments	(12,478)	(19,961)	-	(419)	(32,858)
Assets sold under repurchase agreements	(38,935,985)	-	-	-	(38,935,985)
Customer deposits	(693,706,770)	(18,341,323)	(247,452)	(731,095)	(713,026,640)
Interest payable	(7,821,802)	(68,627)	(243)	(554)	(7,891,226)
Bonds issued	(19,972,253)	-	-	-	(19,972,253)
Other financial liabilities	(1,949,729)	(568,783)	(395,240)	(60,304)	(2,974,056)
<b>Total financial liabilities</b>	<b>(1,012,554,899)</b>	<b>(30,003,662)</b>	<b>(643,279)</b>	<b>(922,438)</b>	<b>(1,044,124,278)</b>
Net on-balance sheet position	63,350,575	(1,084)	175,260	555,837	64,080,588
Off-balance sheet commitments	156,182,152	5,470,145	200,198	710,036	162,562,531



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2011

	Bank				Total
	RMB	USD (in equivalent RMB)	HKD (in equivalent RMB)	Other currencies (in equivalent RMB)	
<b>Financial assets</b>					
Cash and deposits with central bank	124,899,890	918,840	52,581	38,189	125,909,500
Due from banks and other financial institutions	108,608,577	4,131,482	625,892	721,757	114,087,708
Placements with banks and other financial institutions	93,874,756	2,499,609	-	448,481	96,822,846
Trading assets	5,360,628	-	-	-	5,360,628
Derivative financial instruments	19,265	2,402	-	558	22,225
Assets purchased under resale agreements	23,228,642	-	-	-	23,228,642
Interest receivables	5,030,317	38,392	2	2,103	5,070,814
Loans and advances to customers	389,589,804	5,704,858	60,356	2,781	395,357,799
Available-for-sale financial assets	85,341,315	962,186	-	-	86,303,501
Held-to-maturity investments	88,214,149	358,815	-	-	88,572,964
Investment securities classified as receivables	8,576,743	-	-	-	8,576,743
Long term equity investments	1,535,387	949	-	-	1,536,336
Other financial assets	127,458	5	-	-	127,463
<b>Total financial assets</b>	<b>934,406,931</b>	<b>14,617,538</b>	<b>738,831</b>	<b>1,213,869</b>	<b>950,977,169</b>
<b>Financial liabilities</b>					
Due to banks and other financial institutions	(167,832,611)	(262,608)	(1)	(1)	(168,095,221)
Placements from banks	(20,250,000)	(37,770)	-	-	(20,287,770)
Derivative financial instruments	(17,906)	(1,026)	-	(604)	(19,536)
Assets sold under repurchase agreements	(72,094,646)	-	-	-	(72,094,646)
Customer deposits	(600,021,556)	(12,010,856)	(750,119)	(1,057,392)	(613,839,923)
Interest payable	(5,762,596)	(64,252)	(321)	(2,377)	(5,829,546)
Bonds issued	(19,962,173)	-	-	-	(19,962,173)
Other financial liabilities	(2,369,998)	(618,085)	(538,893)	(138,528)	(3,665,504)
<b>Total financial liabilities</b>	<b>(888,311,486)</b>	<b>(12,994,597)</b>	<b>(1,289,334)</b>	<b>(1,198,902)</b>	<b>(903,794,319)</b>
Net on-balance sheet position	46,095,445	1,622,941	(550,503)	14,967	47,182,850
Off-balance sheet commitments	86,179,985	15,002,949	17,844	1,090,919	102,291,697

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

### (3) Interest rate risk

Interest rate risk on cash flows refers to the risk of fluctuations in future cash flows or fair value of financial instruments due to changes in market interest rates. The Group is exposed to fair value and cash flow interest rate risks arising from changes in RMB interest rates.

Interest margins may increase as a result of movements of market interest rates, but may decrease in the event that unexpected movements arise. The Group operates its business predominantly in mainland China under the interest rate scheme regulated by PBOC. PBOC has historically adjusted its benchmark interest rates for loans and deposits in the same direction (though not necessarily by the same magnitude). Therefore, the Group manages its interest rate risks mainly through controlling the maturity structure of its loans and deposits.

According to regulations carried out by PBOC, interest rates on loans denominated in RMB can be above and below the benchmark rates within certain ranges. The lowest rate within the ranges is the 0.7 multiple of the benchmark. The discount rates for RMB notes are determined through market, but cannot be lower than the rediscount rate stipulated by the central bank. The interest rates for RMB deposits cannot be higher than the benchmark rates of the central bank. Interest rates on deposits denominated in RMB can be above the benchmark rate, the highest rate is the 1.1 multiple of the benchmark.

The Group closely monitors the interest trend of RMB and foreign currencies, and follows the changes of the market rates to make a proper case analysis, and also adjusts the loan and deposit interest rates both in RMB and foreign currencies to guard against the interest rate risk.

The following table summarises the interest rate risk exposure of the Group. The on-balance sheet assets and liabilities have been classified by the earlier of the contractual repricing date and the maturity date, and financial assets and liability are stated in carrying value.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2012

	Consolidated						Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Non-Interest bearing	
<b>Financial assets</b>							
Cash and deposits with central bank	142,409,309	-	-	-	-	4,513,700	146,923,009
Due from banks and other financial institutions	17,904,627	9,764,172	26,864,336	4,380,000	-	1,976,292	60,889,427
Placements with banks and other financial institutions	11,967,908	21,764,915	34,866,994	5,500,000	-	-	74,099,817
Trading assets	1,024,660	1,105,398	696,817	3,433,966	779,853	-	7,040,694
Derivative financial instruments	-	-	-	-	-	30,317	30,317
Assets purchased under resale agreements	18,682,989	41,103,438	28,701,518	-	-	-	88,487,945
Interest receivables	-	-	-	-	-	7,005,354	7,005,354
Loans and advances to customers	385,012,553	20,101,627	74,282,092	3,635,401	409,326	4,289	483,445,288
Available-for-sale financial assets	5,828,437	14,311,135	41,548,856	17,247,460	16,040,175	6,992	94,983,055
Held-to-maturity investments	250,242	620,160	4,426,432	31,833,783	59,924,428	-	97,055,045
Investment receivables	-	4,174,782	20,445,469	21,853,064	3,837,895	-	50,311,210
Other financial assets	-	-	-	-	-	574,996	574,996
<b>Total financial assets</b>	<b>583,080,725</b>	<b>112,945,627</b>	<b>231,832,514</b>	<b>87,883,674</b>	<b>80,991,677</b>	<b>14,111,940</b>	<b>1,110,846,157</b>
<b>Financial liabilities</b>							
Due to banks and other financial institutions	(111,901,812)	(58,190,683)	(66,043,960)	(5,063,288)	-	-	(241,199,743)
Placements from banks	(12,914,010)	(6,384,309)	(2,190,917)	-	-	-	(21,489,236)
Derivative financial instruments	-	-	-	-	-	(32,858)	(32,858)
Assets sold under repurchase agreements	(27,618,829)	(11,247,193)	(69,963)	-	-	-	(38,935,985)
Customer deposits	(432,666,356)	(77,132,569)	(130,689,712)	(72,625,400)	(3)	(658,425)	(713,772,465)
Interest payable	-	-	-	-	-	(7,903,544)	(7,903,544)
Bonds issued	-	-	(9,994,018)	-	(9,978,235)	-	(19,972,253)
Other financial liabilities	-	(30,000)	(5,000)	-	-	(2,981,092)	(3,016,092)
<b>Total Financial liabilities</b>	<b>(585,101,007)</b>	<b>(152,984,754)</b>	<b>(208,993,570)</b>	<b>(77,688,688)</b>	<b>(9,978,238)</b>	<b>(11,575,919)</b>	<b>(1,046,322,176)</b>
<b>Total interest reprising gap</b>	<b>(2,020,282)</b>	<b>(40,039,127)</b>	<b>22,838,944</b>	<b>10,194,986</b>	<b>71,013,439</b>	<b>2,536,021</b>	<b>64,523,981</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2011

	Consolidated						Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Non-Interest bearing	
<b>Financial assets</b>							
Cash and deposits with central bank	122,343,640	-	-	-	-	3,640,825	125,984,465
Due from banks and other financial institutions	77,217,424	25,710,425	9,794,000	-	-	1,471,534	114,193,383
Placements with banks and other financial institutions	11,420,729	15,622,521	68,136,224	1,500,000	-	53,372	96,732,846
Trading assets	667,099	412,448	2,345,585	1,238,957	696,539	-	5,360,628
Derivative financial instruments	-	-	-	-	-	22,225	22,225
Assets purchased under resale agreements	9,955,694	9,059,359	4,213,589	-	-	-	23,228,642
Investment securities classified as receivables	-	-	-	-	-	5,073,159	5,073,159
Loans and advances to customers	370,760,461	8,475,866	16,353,098	418,843	68,650	-	396,076,918
Available-for-sale financial assets	5,762,865	13,700,618	31,274,702	28,796,862	6,760,743	7,711	86,303,501
Held-to-maturity investments	-	1,176,407	3,834,201	27,420,943	56,141,413	-	88,572,964
Investment receivables	-	106,193	1,813,891	3,320,899	3,335,760	-	8,576,743
Long term equity investments	-	-	-	-	-	1,206,336	1,206,336
Other financial assets	-	-	-	-	-	127,712	127,712
<b>Total financial assets</b>	<b>598,127,912</b>	<b>74,263,837</b>	<b>137,765,290</b>	<b>62,696,504</b>	<b>67,003,105</b>	<b>11,602,874</b>	<b>951,459,522</b>
<b>Financial liabilities</b>							
Due to banks and other financial institutions	(91,071,868)	(35,718,560)	(36,853,440)	(4,400,000)	-	-	(168,043,868)
Placements from banks	(18,457,770)	(1,830,000)	(110,000)	-	-	-	(20,397,770)
Derivative financial instruments	-	-	-	-	-	(19,536)	(19,536)
Assets sold under repurchase agreements	(63,465,904)	(8,628,742)	-	-	-	-	(72,094,646)
Customer deposits	(384,858,270)	(55,780,123)	(115,602,412)	(56,847,621)	(1,152,755)	-	(614,241,181)
Interest payable	-	-	-	-	-	(5,831,238)	(5,831,238)
Bonds issued	-	-	(7,489,213)	(2,496,404)	(9,976,556)	-	(19,962,173)
Other financial liabilities	(17,951)	-	-	-	-	(3,647,751)	(3,665,702)
<b>Total Financial liabilities</b>	<b>(557,871,763)</b>	<b>(101,957,425)</b>	<b>(160,055,065)</b>	<b>(63,744,025)</b>	<b>(11,129,311)</b>	<b>(9,498,525)</b>	<b>(904,256,114)</b>
<b>Total interest reprising gap</b>	<b>40,256,149</b>	<b>(27,693,588)</b>	<b>(22,289,775)</b>	<b>(1,047,521)</b>	<b>55,873,794</b>	<b>2,104,349</b>	<b>47,203,408</b>

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2012

	Bank						Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Non-Interest bearing	
<b>Financial assets</b>							
Cash and deposits with central bank	142,297,395	-	-	-	-	4,499,307	146,796,702
Due from banks and other financial institutions	17,766,117	9,713,172	26,894,836	4,380,000	-	1,976,292	60,730,417
Placements with banks and other financial institutions	11,967,908	21,824,915	34,916,994	5,500,000	-	-	74,209,817
Trading assets	1,024,660	1,105,398	696,817	3,433,966	779,853	-	7,040,694
Derivative financial instruments	-	-	-	-	-	30,317	30,317
Assets purchased under resale agreements	18,682,989	41,103,438	28,701,518	-	-	-	88,487,945
Interest receivables	-	-	-	-	-	6,994,758	6,994,758
Loans and advances to customers	384,916,148	19,915,562	72,834,594	2,921,657	406,320	163	480,994,444
Available-for-sale financial assets	5,828,437	14,311,135	41,548,856	17,247,460	16,040,175	6,992	94,983,055
Held-to-maturity investments	250,242	620,160	4,426,432	31,833,783	59,924,428	-	97,055,045
Investment receivables	-	4,174,782	20,445,469	21,853,064	3,837,895	-	50,311,210
Other financial assets	-	-	-	-	-	570,462	570,462
<b>Total financial assets</b>	<b>582,733,896</b>	<b>112,768,562</b>	<b>230,465,516</b>	<b>87,169,930</b>	<b>80,988,671</b>	<b>14,078,291</b>	<b>1,108,204,866</b>
<b>Financial liabilities</b>							
Due to banks and other financial institutions	(111,974,093)	(58,190,683)	(66,023,960)	(5,063,288)	-	-	(241,252,024)
Placements from banks	(12,794,010)	(6,144,309)	(1,100,917)	-	-	-	(20,039,236)
Derivative financial instruments	-	-	-	-	-	(32,858)	(32,858)
Assets sold under repurchase agreements	(27,618,829)	(11,247,193)	(69,963)	-	-	-	(38,935,985)
Customer deposits	(432,214,864)	(77,001,273)	(130,570,348)	(72,581,727)	(3)	(658,425)	(713,026,640)
Interest payable	-	-	-	-	-	(7,891,226)	(7,891,226)
Bonds issued	-	-	(9,994,018)	-	(9,978,235)	-	(19,972,253)
Other financial liabilities	-	-	-	-	-	(2,974,056)	(2,974,056)
<b>Total Financial liabilities</b>	<b>(584,601,796)</b>	<b>(152,583,458)</b>	<b>(207,759,206)</b>	<b>(77,645,015)</b>	<b>(9,978,238)</b>	<b>(11,556,565)</b>	<b>(1,044,124,278)</b>
<b>Total interest reprising gap</b>	<b>(1,867,900)</b>	<b>(39,814,896)</b>	<b>22,706,310</b>	<b>9,524,915</b>	<b>71,010,433</b>	<b>2,521,726</b>	<b>64,080,588</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2011

	Bank						Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Non-Interest bearing	
<b>Financial assets</b>							
Cash and deposits with central bank	122,273,135	-	-	-	-	3,636,365	125,909,500
Due from banks and other financial institutions	77,101,749	25,710,425	9,804,000	-	-	1,471,534	114,087,708
Placements with banks and other financial institutions	11,420,728	15,622,521	68,226,225	1,500,000	-	53,372	96,822,846
Trading assets	667,099	412,448	2,345,585	1,238,957	696,539	-	5,360,628
Derivative financial instruments	-	-	-	-	-	22,225	22,225
Assets purchased under resale agreements	9,955,694	9,059,359	4,213,589	-	-	-	23,228,642
Investment securities classified as receivables	-	-	-	-	-	5,070,814	5,070,814
Loans and advances to customers	370,614,840	8,446,230	15,931,882	296,197	68,650	-	395,357,799
Available-for-sale financial assets	5,762,865	13,700,618	31,274,702	28,796,862	6,760,743	7,711	86,303,501
Held-to-maturity investments	-	1,176,407	3,834,201	27,420,943	56,141,413	-	88,572,964
Investment receivables	-	106,193	1,813,891	3,320,899	3,335,760	-	8,576,743
Long term equity investments	-	-	-	-	-	1,536,336	1,536,336
Other financial assets	-	-	-	-	-	127,463	127,463
<b>Total financial assets</b>	<b>597,796,110</b>	<b>74,234,201</b>	<b>137,444,075</b>	<b>62,573,858</b>	<b>67,003,105</b>	<b>11,925,820</b>	<b>950,977,169</b>
<b>Financial liabilities</b>							
Due to banks and other financial institutions	(91,123,221)	(35,718,560)	(36,853,440)	(4,400,000)	-	-	(168,095,221)
Placements from banks	(18,457,770)	(1,830,000)	-	-	-	-	(20,287,770)
Derivative financial instruments	-	-	-	-	-	(19,536)	(19,536)
Assets sold under repurchase agreements	(63,465,904)	(8,628,742)	-	-	-	-	(72,094,646)
Customer deposits	(384,600,282)	(55,726,563)	(115,536,733)	(56,823,590)	(1,152,755)	-	(613,839,923)
Interest payable	-	-	-	-	-	(5,829,546)	(5,829,546)
Bonds issued	-	-	(7,489,213)	(2,496,404)	(9,976,556)	-	(19,962,173)
Other financial liabilities	(17,951)	-	-	-	-	(3,647,553)	(3,665,504)
<b>Total Financial liabilities</b>	<b>(557,665,128)</b>	<b>(101,903,865)</b>	<b>(159,879,386)</b>	<b>(63,719,994)</b>	<b>(11,129,311)</b>	<b>(9,496,635)</b>	<b>(903,794,319)</b>
<b>Total interest reprising gap</b>	<b>40,130,982</b>	<b>(27,669,664)</b>	<b>(22,435,311)</b>	<b>(1,146,136)</b>	<b>55,873,794</b>	<b>2,429,185</b>	<b>47,182,850</b>

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

Based on the gap analysis above on interest rate risks and the assumption of a parallel shifting by 100 bps of the yield curve for each currency, the Group has assessed the potential impact on its net interest income in 2012 as follows:

**Net interest gain/ (loss)**

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Upward shifting of the benchmark yield curve by 100 bps	(271,046)	98,292	(268,176)	96,677
Downward shifting of the benchmark yield curve by 100 bps	271,046	(98,292)	268,176	(96,677)

The Group makes general assumptions for determining its business conditions and financial parameters in conducting interest rate risk sensitivity testing. However, the following has not been considered:

- (i) changes in business operations after the balance sheet date, as the analysis is based on the static gap on the balance sheet date;
- (ii) the impact of changes in interest rates on customer behaviours;
- (iii) the complex relationship between complex structured products and changes in interest rates;
- (iv) the impact of changes in interest rates on off-balance sheet products;
- (v) the nature of demand deposit, their interest rate fluctuations are less volatile than those of other products.

**4 Liquidity risk**

Liquidity risk is the risk that the Group is unable to fully meet its payment obligations with sufficient cash flows from its assets and liabilities. The Group is exposed to daily calls on its available cash resources from call deposit overnight deposits, current accounts, matured time deposits, debt securities in issue, loan draw downs, guarantees and other calls on cash settled derivatives. As experience shows that a minimum level of reinvestment of matured deposit can be predicted with a high level of certainty. In order to meet unforeseeable funding needs, the Group sets the minimum level of cash resources, and the minimum level of due to banks and other financial institutions and other borrowings.

Besides, according to central bank's requirement, the Group sets that the loan-to-deposit ratio should not be higher than 75%. As at 31 December 2012 the Bank was required to maintain 18% of its total RMB denominated deposits and 5% of its foreign currencies denominated deposits with central bank as statutory reserves. Yanqing Rural Bank and Zhejiang Wencheng have no foreign currency business and the RMB statutory reserve ratio is 14%. Nong'an BoB has no foreign currency business and the RMB statutory reserve ratio is 14%.

Maintain the assets and liabilities match the maturity structure, as well as effective control of the management in the difference of matches is paramount to the Group. As the business has an uncertain duration and different categories, banks rarely able to maintain the assets and liabilities items match exactly. The positions which do not match the structure may increase revenue, but also increases the liquidity risk.

**(1) Liquidity risk management**

The matching of maturity of assets and liabilities and the ability to replace interest-bearing liabilities as they mature at an acceptable cost are important factors in assessing the liquidity of the Group.

The Group provides guarantees and issues stand-by letters of credit to customers based on their credit and margin deposits at the Group. Liquidity required to support calls under guarantees and stand-by letters of credit is generally less than the amount of the Group's other commitments, because the Group does not generally expect customers to draw the full amount of guarantees provided by the Group or stand-by letters of credit issued by the Group. In addition, the total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

The Asset and Liability Management Committee defines the Group's liquidity management strategy and policies. The Financial and Planning Department is responsible for liquidity management, and carries out ongoing monitoring and analysis of liquidity indicators.

The Group adopts a series of liquidity indicators to assess and monitor its liquidity risks, and has systems put in place to support daily, monthly and quarterly liquidity risk reporting so that the Risk Management Committee, Asset and Liability Management Committee, and senior management can be kept updated of the liquidity indicators in a timely manner. The Group performed stress testing for the liquidity risk under the extreme circumstance scenario that the various changes in market conditions may occur.

### (2) Funding sources

The Group monitors the funding diversification by focusing on four areas, including the types of creditors, products and instruments, market conditions and large customer funding concentration.

### (3) Cash flow analysis on non-derivative financial instruments

The following table presents the cash flows from financial assets and liabilities other than derivative financial instruments by their remaining maturities. Remaining maturities refer to period from the balance sheet date to the contractual maturity date; the amounts of financial liabilities for the time intervals are contractual undiscounted cash flows; the amounts of financial assets for the time intervals are cash flows expected to be received.



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2012

	Consolidated							Total
	On demand	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Overdue	
<b>Financial assets</b>								
Cash and deposits with central bank	146,923,036	-	-	-	-	-	-	146,923,036
Due from banks and other financial institutions	5,870,368	14,092,056	9,488,658	28,836,955	4,618,743	-	-	62,906,780
Placements with banks and other financial institutions	-	12,253,520	23,154,603	36,034,233	5,656,875	-	-	77,099,231
Trading assets	-	542,840	740,538	751,239	4,933,956	1,146,100	-	8,114,673
Assets purchased under resale agreements	-	18,703,636	41,521,459	29,174,197	-	-	-	89,399,292
Loans and advances to customers	1,952,213	21,130,918	64,896,717	232,243,693	147,490,108	106,426,841	731,732	574,872,222
Available-for-sale financial assets	-	1,245,679	2,080,374	23,844,437	51,654,262	32,469,676	6,992	111,301,420
Held-to-maturity investments	-	364,079	636,846	7,561,270	45,238,733	93,528,650	-	147,329,578
Investment securities classified as receivables	-	14,490	4,744,736	22,238,029	24,504,815	4,881,870	-	56,383,940
Other financial assets	503	11,039	758	562,696	-	-	-	574,996
<b>Total financial assets</b>	<b>154,746,120</b>	<b>68,358,257</b>	<b>147,264,689</b>	<b>381,246,749</b>	<b>284,097,492</b>	<b>238,453,137</b>	<b>738,724</b>	<b>1,274,905,168</b>
<b>Financial liabilities</b>								
Due to banks and other financial institutions	(17,526,162)	(95,243,829)	(59,229,015)	(68,640,202)	(5,719,343)	-	-	(246,358,551)
Placements from banks	-	(12,933,960)	(6,406,595)	(2,261,319)	-	-	-	(21,601,874)
Assets sold under repurchase agreements	-	(27,656,548)	(11,343,488)	(70,000)	-	-	-	(39,070,036)
Customer deposits	(352,307,654)	(81,721,763)	(78,852,842)	(136,409,309)	(80,959,512)	(4)	-	(730,251,084)
Bonds issued	-	(171,500)	-	(10,745,000)	(1,986,000)	(14,143,500)	-	(27,046,000)
Other financial liabilities	(207)	(2,576,426)	(30,343)	(122,230)	(287,081)	-	-	(3,016,287)
<b>Total Financial liabilities</b>	<b>(369,834,023)</b>	<b>(220,304,026)</b>	<b>(155,862,283)</b>	<b>(218,248,060)</b>	<b>(88,951,936)</b>	<b>(14,143,504)</b>	<b>-</b>	<b>(1,067,343,832)</b>
<b>Net liquidity gap</b>	<b>(215,087,903)</b>	<b>(151,945,769)</b>	<b>(8,597,594)</b>	<b>162,998,689</b>	<b>195,145,556</b>	<b>224,309,633</b>	<b>738,724</b>	<b>207,561,336</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2011

	Consolidated					Consolidated
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
<b>Financial assets</b>						
Cash and deposits with central bank	125,986,122	-	-	-	-	125,986,122
Due from banks and other financial institutions	79,028,353	26,067,999	10,171,103	-	-	115,267,455
Placements with banks and other financial institutions	11,493,909	16,101,837	69,630,456	1,586,486	-	98,812,688
Trading assets	184,643	449,805	2,006,564	2,633,606	781,144	6,055,762
Assets purchased under resale agreements	9,975,459	9,186,047	4,343,532	-	-	23,505,038
Loans and advances to customers	21,968,434	45,373,409	197,099,141	138,369,000	103,608,732	506,418,716
Available-for-sale financial assets	2,306,255	2,748,128	19,663,580	52,370,695	21,363,754	98,452,412
Held-to-maturity investments	112,154	497,078	6,729,869	39,964,753	85,749,774	133,053,628
Investment securities classified as receivables	3,990	119,096	1,893,516	4,595,658	4,425,630	11,037,890
Long term equity investments	-	-	-	-	1,206,336	1,206,336
Other financial assets	51,024	1,900	18,415	5,616	50,757	127,712
<b>Total financial assets</b>	<b>251,110,343</b>	<b>100,545,299</b>	<b>311,556,176</b>	<b>239,525,814</b>	<b>217,186,127</b>	<b>1,119,923,759</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions	(91,829,390)	(36,701,891)	(62,061,764)	(4,938,668)	-	(195,531,713)
Placements from banks	(18,496,130)	(1,849,277)	(113,593)	-	-	(20,459,000)
Assets sold under repurchase agreements	(63,571,351)	(8,705,137)	-	-	-	(72,276,488)
Customer deposits	(385,823,490)	(56,721,496)	(119,170,006)	(60,006,124)	(1,165,968)	(622,887,084)
Bonds issued	-	(171,500)	(782,500)	(12,443,500)	(14,640,000)	(28,037,500)
Other financial liabilities	(2,694,853)	(1,133)	(912,746)	(56,624)	(346)	(3,665,702)
<b>Total Financial liabilities</b>	<b>(562,415,214)</b>	<b>(104,150,434)</b>	<b>(183,040,609)</b>	<b>(77,444,916)</b>	<b>(15,806,314)</b>	<b>(942,857,487)</b>
<b>Net liquidity gap</b>	<b>(311,304,871)</b>	<b>(3,605,135)</b>	<b>128,515,567</b>	<b>162,080,898</b>	<b>201,379,813</b>	<b>177,066,272</b>

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

As at 31 December 2012

	Bank							Total
	On demand	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Overdue	
<b>Financial assets</b>								
Cash and deposits with central bank	146,796,702	-	-	-	-	-	-	146,796,702
Due from banks and other financial institutions	5,808,326	14,015,342	9,437,740	28,868,260	4,618,743	-	-	62,748,411
Placements with banks and other financial institutions	-	12,253,520	23,216,353	36,087,173	5,656,875	-	-	77,213,921
Trading assets	-	542,840	740,538	751,239	4,933,956	1,146,100	-	8,114,673
Assets purchased under resale agreements	-	18,703,636	41,521,459	29,174,197	-	-	-	89,399,292
Loans and advances to customers	1,884,681	21,018,371	64,542,119	230,359,214	146,650,384	106,422,323	678,451	571,555,543
Available-for-sale financial assets	-	1,245,679	2,080,374	23,844,437	51,654,262	32,469,676	6,992	111,301,420
Held-to-maturity investments	-	364,079	636,846	7,561,270	45,238,733	93,528,650	-	147,329,578
Investment securities classified as receivables	-	14,490	4,744,736	22,238,029	24,504,815	4,881,870	-	56,383,940
Other financial assets	-	10,693	-	559,769	-	-	-	570,462
<b>Total financial assets</b>	<b>154,489,709</b>	<b>68,168,650</b>	<b>146,920,165</b>	<b>379,443,588</b>	<b>283,257,768</b>	<b>238,448,619</b>	<b>685,443</b>	<b>1,271,413,942</b>
<b>Financial liabilities</b>								
Due to banks and other financial institutions	(17,543,189)	(95,299,279)	(59,229,524)	(68,618,820)	(5,719,343)	-	-	(246,410,155)
Placements from banks	-	(12,812,867)	(6,161,875)	(1,139,954)	-	-	-	(20,114,696)
Assets sold under repurchase agreements	-	(27,656,548)	(11,343,488)	(70,000)	-	-	-	(39,070,036)
Customer deposits	(351,961,305)	(81,614,915)	(78,719,128)	(136,286,294)	(80,909,305)	(4)	-	(729,490,951)
Bonds issued	-	(171,500)	-	(10,745,000)	(1,986,000)	(14,143,500)	-	(27,046,000)
Other financial liabilities	-	(2,575,584)	(162)	(117,216)	(281,094)	-	-	(2,974,056)
<b>Total Financial liabilities</b>	<b>(369,504,494)</b>	<b>(220,130,693)</b>	<b>(155,454,177)</b>	<b>(216,977,284)</b>	<b>(88,895,742)</b>	<b>(14,143,504)</b>	<b>-</b>	<b>(1,065,105,894)</b>
<b>Net liquidity gap</b>	<b>(215,014,785)</b>	<b>(151,962,043)</b>	<b>(8,534,012)</b>	<b>162,466,304</b>	<b>194,362,026</b>	<b>224,305,115</b>	<b>685,443</b>	<b>206,308,048</b>

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2011

	Bank					Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
<b>Financial assets</b>						
Cash and deposits with central bank	125,911,073	-	-	-	-	125,911,073
Due from banks and other financial institutions	78,910,206	26,067,999	10,181,374	-	-	115,159,579
Placements with banks and other financial institutions	11,493,909	16,103,177	69,721,044	1,586,486	-	98,904,616
Trading assets	184,643	449,805	2,006,564	2,633,606	781,144	6,055,762
Assets purchased under resale agreements	9,975,459	9,186,047	4,343,532	-	-	23,505,038
Loans and advances to customers	21,921,839	45,282,956	196,442,268	137,871,012	103,608,681	505,126,756
Available-for-sale financial assets	2,306,255	2,748,128	19,663,580	52,370,695	21,363,754	98,452,412
Held-to-maturity investments	112,154	497,078	6,729,869	39,964,753	85,749,774	133,053,628
Investment securities classified as receivables	3,990	119,096	1,893,516	4,595,658	4,425,630	11,037,890
Long term equity investments	-	-	-	-	1,536,336	1,536,336
Other financial assets	51,024	1,900	18,166	5,616	50,757	127,463
<b>Total financial assets</b>	<b>250,870,552</b>	<b>100,456,186</b>	<b>310,999,913</b>	<b>239,027,826</b>	<b>217,516,076</b>	<b>1,118,870,553</b>
<b>Financial liabilities</b>						
Due to banks and other financial institutions	(91,880,824)	(36,701,891)	(62,061,764)	(4,938,668)	-	(195,583,147)
Placements from banks	(18,496,130)	(1,848,198)	-	-	-	(20,344,328)
Assets sold under repurchase agreements	(63,571,351)	(8,705,137)	-	-	-	(72,276,488)
Customer deposits	(385,565,477)	(56,667,903)	(119,103,999)	(59,980,579)	(1,165,968)	(622,483,926)
Bonds issued	-	(171,500)	(782,500)	(12,443,500)	(14,640,000)	(28,037,500)
Other financial liabilities	(2,694,853)	(1,133)	(912,548)	(56,624)	(346)	(3,665,504)
<b>Total Financial liabilities</b>	<b>(562,208,635)</b>	<b>(104,095,762)</b>	<b>(182,860,811)</b>	<b>(77,419,371)</b>	<b>(15,806,314)</b>	<b>(942,390,893)</b>
<b>Net liquidity gap</b>	<b>(311,338,083)</b>	<b>(3,639,576)</b>	<b>128,139,102</b>	<b>161,608,455</b>	<b>201,709,762</b>	<b>176,479,660</b>

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

## (4) Cash flow analysis on derivative financial instruments

## a Derivative financial instruments settled on a net basis

The Group settles the interest rate derivative financial instruments including interest rate swap and interest rate option on a net basis.

The following table presents cash flows from derivative financial instruments held for trading and settled on a net basis by their remaining maturities of the Group. Remaining maturities refer to the period from the balance sheet date to the contractual maturity date, and the amounts of derivative financial instruments for the time intervals represent contractual undiscounted cash flows.

As at 31 December 2012

	Consolidated and Bank					Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Interest rate derivatives	1,468	736	2,842	4,980	-	10,026

As at 31 December 2011

	Consolidated and Bank					Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Interest rate derivatives	(1,044)	1,249	171	3,765	-	4,141

## b Derivative financial instruments settled on a gross basis

Gross-settled derivative financial instruments of the Group include foreign exchange derivatives, such as currency forward and currency swap.

The following table presents the cash flows from derivative financial instruments held for trading and settled on a gross basis by their remaining maturities of the Group. Remaining maturities refer to the period from the balance sheet date and the contractual maturity date, and the amounts of derivative financial instruments for the time intervals are contractual undiscounted cash flows.

As at 31 December 2012

	Consolidated and Bank					Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Foreign exchange derivatives						
- Cash outflows	(2,537,955)	(284,601)	(1,859,438)	-	-	(4,681,994)
- Cash inflows	2,539,225	285,267	1,837,214	-	-	4,661,706

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

As at 31 December 2011

	Consolidated and Bank					Total
	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	
Foreign exchange derivatives						
- Cash outflows	(938,228)	(32,282)	(47,261)	-	-	(1,017,771)
- Cash inflows	939,597	32,255	47,139	-	-	1,018,991

## (5) Off-balance sheet commitments

The table below analyzes the Group's off-balance sheet commitments based on the remaining maturities. Remaining maturities refer to the period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2012

	Consolidated and Bank			Total
	Within 1 year	1-5 years	Over 5 years	
Banks acceptances	81,944,651	-	-	81,944,651
Loan and other credit commitments	27,751,105	19,527,000	-	47,278,105
Letters of guarantee issued	16,771,296	10,611,734	209,164	27,592,194
Interbank reimbursement	3,034,351	-	-	3,034,351
Letters of credit issued	2,713,066	164	-	2,713,230
Total	132,214,469	30,138,898	209,164	162,562,531

As at 31 December 2011

	Consolidated and Bank			Total
	Within 1 year	1-5 years	Over 5 years	
Banks acceptances	49,901,699	23,961	-	49,925,660
Letters of guarantee issued	14,709,060	6,223,188	195,481	21,127,729
Interbank reimbursement	17,776,570	-	-	17,776,570
Loan and other credit commitments	10,728,065	-	-	10,728,065
Letters of credit issued	2,666,599	67,074	-	2,733,673
Total	95,781,993	6,314,223	195,481	102,291,697

## 5 Fair value of financial assets and liabilities

## (1) Financial instruments not accounted at fair value

The financial assets and liabilities that are not accounted at fair value in balance sheet include due from central bank, due from banks and other financial institutions, placements with banks and other financial institutions, loans and advances, held-to-maturity investment, investment classified as receivables, assets purchased under resale agreements, due to banks and other financial institutions, placements from banks, assets sold under repurchase agreement, customer deposits, and bond issued, etc.

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

The table below summarises the carrying value and fair value of those financial assets and liabilities that are not presented at fair value on balance sheet.

Other than above, financial assets and liabilities not presented at fair value on the balance sheet, their carrying values approximate their fair values.

	<b>Consolidated</b>			
	<b>31 December 2012</b>		<b>31 December 2011</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Financial assets</b>				
Placements with banks and other financial institutions(a)	74,099,817	76,807,947	96,732,846	96,334,673
Loans and advances (a)	483,445,288	483,393,495	396,076,918	396,067,156
Held-to-maturity investments(b)	97,055,045	96,895,401	88,572,964	89,522,792
Investment securities classified as receivables (a)	50,311,210	48,165,403	8,576,743	8,619,137
<b>Financial liabilities</b>				
Due to banks and other financial institutions (a)	(241,199,743)	(241,379,971)	(168,043,868)	(166,616,545)
Customer deposits(c)	(713,772,465)	(715,594,172)	(614,241,181)	(613,011,201)
Bonds issued(d)	(19,972,253)	(22,386,762)	(19,962,173)	(22,293,124)

**Bank**

	<b>Bank</b>			
	<b>31 December 2012</b>		<b>31 December 2011</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Financial assets</b>				
Placements with banks and other financial institutions(a)	74,209,817	76,917,947	96,822,846	96,424,673
Loans and advances (a)	480,994,444	480,997,015	395,357,799	395,349,950
Held-to-maturity investments(b)	97,055,045	96,895,401	88,572,964	89,522,792
Investment securities classified as receivables (a)	50,311,210	48,165,403	8,576,743	8,619,137
<b>Financial liabilities</b>				
Due to banks and other financial institutions (a)	(241,252,024)	(241,432,252)	(168,095,221)	(166,667,897)
Customer deposits(c)	(713,026,640)	(714,854,156)	(613,839,923)	(612,651,228)
Bonds issued(d)	(19,972,253)	(22,386,762)	(19,962,173)	(22,293,124)

## a Loans and advances to customers, investment securities classified as receivables and interbank transactions

Loans and advances to customers, investment securities classified as receivables and interbank transactions are stated net of impairment losses, and their estimated fair value is the present value of expected future cash flows discounted at the current market interest rate.

## b Held-to-maturity investment

The fair value of the held-to-maturity investment is based on quoted prices from the market or traders. If the relevant information is not available, the fair value is determined by the quoted prices of securities which have similar credit risk, maturity and rate of return.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

## c Customers deposits

The fair value of the checking account, savings account and short-term money market deposit is the amount payable on demand at the reporting date. For fixed rate deposits without quoted market prices, their fair value is based on the discounted cash flow model using the current interest rates for fixed rate deposits with similar remaining maturities.

## d Bonds issued

The fair value of bonds issued is determined with reference to quoted market prices. In the absence of quoted market prices, their fair value is calculated based on the discounted cash flow model using the current market interest rates for similar debt securities with similar remaining maturities.

## (2) Financial instruments measured at fair value

Financial instruments measured at fair value are divided into the following three levels. The Group uses valuation techniques or counterparty quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

Level 1: Quoted prices in active markets for identical assets or liabilities, including securities traded on exchanges or certain governments bonds.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, includes majority of the OTC derivative contracts and debt securities for which quotations are available from pricing services providers or website of China Government Securities Depositing Trust & Clearing Co., Ltd. ("China Bond") (including valuation and settle price from China Bond).

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, volatilities, correlation and others, which are all observable and obtainable from open market.

	Level 1	Level 2	Level 3	Total
<b>31 December 2012</b>				
Consolidated and Bank				
Trading assets	-	7,040,694	-	7,040,694
Derivative financial instruments	-	30,317	-	30,317
Available-for-sale financial assets	-	94,976,063	6,992	94,983,055
Total	-	102,047,074	6,992	102,054,066
Derivative financial instruments	-	(32,858)	-	(32,858)



(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	Level 1	Level 2	Level 3	Total
<b>31 December 2011</b>				
Consolidated and Bank				
Trading assets	-	5,360,628	-	5,360,628
Derivative financial instruments	-	22,225	-	22,225
Available-for-sale financial assets	15,876	86,287,625	-	86,303,501
Total	15,876	91,670,478	-	91,686,354
Derivative financial instruments	-	(19,536)	-	(19,536)

**6 Capital management**

The capital management at the Group centres on capital adequacy ratio and return on assets, and aims to keep capital management closely aligned with the Group's development plans and achieve optimal integrity among the Group's expansion and profitability, total capital and structural optimisation, and the optimal capital base and return on capital.

On the basis of comprehensive consideration of the regulatory indicators, average level across the industry, the Group's growth rate, timing of capital addition, and the objective to maintain stable increase of the return on net asset, the Group determines an appropriate target interval for managing its capital adequacy ratio, which is no less than the regulatory requirement.

The Group calculates and discloses its capital adequacy ratio in accordance with the "Administrative Measures for Capital Adequacy Ratio of Commercial Groups" promulgated by CBRC.

## Notes to the Financial Statements

(All amounts expressed in RMB'000 unless otherwise stated)

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
				Core capital
Paid-in capital	8,800,160	6,227,562	8,800,160	6,227,562
Capital reserve (excluding reserves on available-for-sale financial assets)	25,824,499	15,469,267	25,824,499	15,469,267
Surplus reserve	5,445,453	4,282,380	5,445,453	4,282,380
General reserve for risk assets	13,348,925	6,844,932	13,343,638	6,844,932
Retained earnings (1)	18,185,734	17,083,606	18,159,935	17,096,595
Minority Interests	73,928	50,182		
Total core capital	71,678,699	49,957,929	71,573,685	49,920,736
Less: 50% of capital investment nonconsolidated financial institutions	(677,580)	(603,168)	(850,230)	(768,168)
Less: 50% of capital investment in investment properties	(172,814)	(110,199)	(172,814)	(110,199)
Core capital, net	70,828,305	49,244,562	70,550,641	49,042,369
Supplementary capital:				
General reserve (2)	4,969,217	4,055,206	4,942,338	4,048,811
Long-term subordinated debt	9,978,235	9,976,555	9,978,235	9,976,555
Other supplementary capital (3)	12,014	257,690	12,014	257,690
Computable supplementary capital (up to 100% of the net core capital)	14,959,466	14,289,451	14,932,587	14,283,056
Total capital (total core capital + supplementary capital)	86,638,165	64,247,380	86,506,272	64,203,792
Less: capital investment in unconsolidated financial institutions	(1,355,160)	(1,206,336)	(1,700,460)	(1,536,336)
Less: capital investment in investment properties	(345,628)	(220,398)	(345,628)	(220,398)
Less: other items (4)	(1,080,000)	(879,700)	(1,080,000)	(879,700)
Capital, net	83,857,377	61,940,946	83,380,184	61,567,358

(All amounts expressed in RMB'000 unless otherwise stated)

## Notes to the Financial Statements

	31 December 2012 Consolidated	31 December 2011 Consolidated	31 December 2012 Bank	31 December 2011 Bank
Risk-weighted assets:				
On-balance sheet risk-weighted assets	541,525,443	443,106,332	539,474,572	442,773,848
Off-balance sheet risk-weighted assets	77,853,218	46,384,577	77,853,218	46,384,577
Total risk-weighted assets	619,378,661	489,490,909	617,327,790	489,158,425
Market risk capital	2,450,989	1,925,457	2,450,989	1,925,457
Core capital adequacy ratio	10.90%	9.59%	10.89%	9.56%
Capital adequacy ratio	12.90%	12.06%	12.87%	12.00%

(1) Retained earnings represent the after tax amount excluding the gains on fair value changes (unrealized) of the Group's trading financial assets and derivative instruments.

(2) General reserve represents a certain percentage of the loans and advances to customers of the Group.

(3) Other supplementary capital represents the fair value gains determined based on certain percentage and taken to capital surplus.

(4) Other items include asset backed securities and the subordinated debts issued by other banks and acquired by the Group after 1 July 2009.

## XII NET PROFIT EXCLUDING EXTRAORDINARY GAINS AND LOSSES

According to the "Information Disclosure Conventions for Companies Offering Securities to the Public: Questions and Answers No. 1 – Extraordinary Gains and Losses [2008]", extraordinary gains and losses refer to gains and losses that arise from transactions and events of a company that are unrelated to the ordinary activities of the company or though related to the ordinary activities, can affect the proper reporting of the company's operating results and profitability due to their nature, amount and frequency of occurrence.

The net profit excluding extraordinary gains and losses of year 2012 and 2011 is presented below:

	2012 Consolidated	2011 Consolidated	2012 Bank	2011 Bank
Net profit	11,683,854	8,945,985	11,630,732	8,954,653
Plus/(less): extraordinary items				
- Non-operating income	(37,472)	(63,683)	(27,310)	(62,245)
- Non-operating expense	22,731	16,776	22,542	15,422
Income tax impact of extraordinary items	3,685	11,727	1,192	11,706
Net profit excluding extraordinary items	11,672,798	8,910,805	11,627,156	8,919,536
Attributable to				
- Shareholders of the Bank	11,666,431	8,912,233		
- Minority interests	6,367	(1,428)		