



中國銀行
BANK OF CHINA

Annual Report 2002





Established in 1912, Bank of China is China's leading international bank. At the end of 2002, the bank's total assets amounted to RMB3,593.9 billion and owner's equity was RMB219.7 billion. With 12,090 branches at home and 581 overseas branches and subsidiaries in 26 countries and regions across the globe, and a total of 192,468 staff, the bank was ranked 11th amongst the world's largest 1,000 banks by tier-one capital by *The Banker* magazine and was named Largest Emerging Market Bank by *Euromoney* magazine.

Bank of China has been a pioneer of banking industry innovation in China and remains a market leader in foreign currency deposits and loans, international trade services, foreign exchange trading, treasury and cards. In response to trends in the international banking industry, the bank has strengthened its foothold in commercial banking and expanded its investment banking and insurance businesses. The group's investment banking and insurance subsidiaries have recently established offices on the Chinese mainland, enabling Bank of China to provide its customers with a full range of products and services.

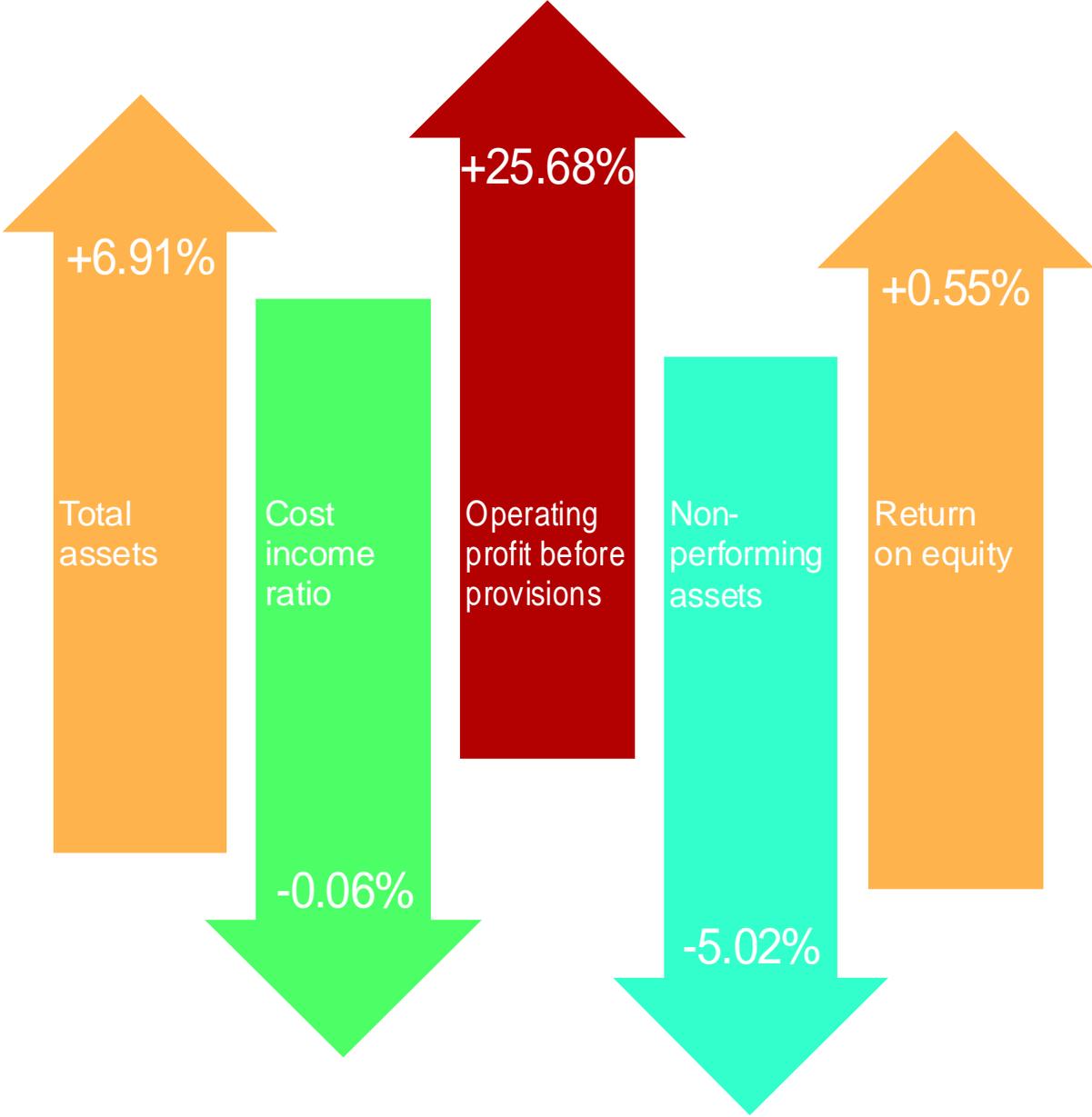
Bank of China has been a Fortune Global 500 company for 13 consecutive years. Its achievements were recognised in 2002 when it was awarded Best Bank in China by *Euromoney* magazine, Best Domestic Commercial Bank in China by *The Asset* magazine, and both Best Trade Finance Bank in China and Best Foreign Exchange Bank in China by US-based *Global Finance* magazine. The restructuring and listing of Bank of China Hong Kong (Holdings) Limited won the bank 10 awards, including Best Investor Relations for an initial public offering (IPO) from *Investor Relations* magazine, as well as Deal of the Year, and Best Deal and Privatisation from *Finance Asia* magazine.

In Chinese culture, the drum's loud and rhythmic beat is used to encourage people to move forward with energy and enthusiasm. This symbolises Bank of China's innovative spirit and determination to build on its reputation in pursuit of excellence.

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Financial Highlights



	2002	2001
Profit and loss (RMB million)		
Net interest income	54,091	50,930
Other operating income	22,244	14,709
Operating profit before provisions	52,271	41,590
Provisions for bad and doubtful debts	26,711	23,194
Pre-tax profit	13,791	10,914
Net profit	9,445	7,908
Balance sheet (RMB million)		
Customer loans and bills discounted	1,817,545	1,631,769
Non-performing assets	408,531	436,020
Total assets	3,593,908	3,361,619
Total risk weighted assets	2,309,861	2,201,020
Customer deposits	2,755,271	2,477,143
Owner's equity	219,660	218,420
Ratios (%)		
Non-performing assets	22.49	27.51
Provisions coverage	21.09	16.80
Cost income ratio	37.89	37.95
Return on equity before provisions	23.86	19.77
Return on equity	4.31	3.76
Capital adequacy ratio	8.15	8.30

Our Mission

To build Bank of China into a

Market-driven

Client-oriented

World-class

Financial services institution

With a robust corporate governance structure

Capable of delivering outstanding performance

Over the long term

Honorary Chairperson of the Board



Chen Muhua

Message from the Chairman and President



Liu Mingkang

2002 was Bank of China's 90th anniversary and a year of tremendous achievement. Operating profit before provisions grew strongly to RMB52.3 billion, an increase of 26% over 2001. Over the past few years we have increased provisions held against non-performing assets significantly, and this has continued in 2002. Our strong core profitability has provided an effective cushion against increased provisions and we remain in a healthy financial position. After provisions, net profit for 2002 increased by 19.4% to RMB 9.4 billion. Asset quality also continued to improve. Non-performing assets fell by over 5 percentage points during 2002 and now represent 22.5% of total loans and overdrafts.

The robust domestic economy provided a favourable business environment. Strong domestic investment, consumption and export growth was encouraging and China's economy grew by 8% during 2002. On the world stage we saw tentative signs of a recovery although there is considerable economic and political uncertainty.

I have been pleased with the strong development of all of our businesses over the year. In Hong Kong, Bank of China Hong Kong (Holdings) Limited was successfully listed on the Hong Kong Stock Exchange. In preparation for the listing, the group's

affiliate banks were merged and this has increased the strength of our brand. We have made strong progress in raising our competitiveness and modernising the bank's operations and management structure.

Elsewhere I am particularly delighted with the progress we have made in retail banking, where we achieved our target for the year of doubling our new consumer lending business. The growth in our market share of retail lending is now the highest of the Chinese banks. In corporate banking we have continued to give top priority to improving the risk profile of our loan portfolio. The proportion of domestic loans made to customers included in our two best credit categories grew by 4.4 percentage points year on year to make up 66.5% of the portfolio. We have also reduced our exposure to certain industries during the year.

To position ourselves for steady growth, our staff have worked hard to ensure our products are aligned with our customers' ever developing needs. During the year we introduced innovative new products in the domestic market such as E-banking, non-recourse account receivables purchasing and corporate account overdraft. We have also maintained our competitive edge in existing products, including foreign currency deposits and lending, international trade services, foreign exchange and credit cards.

Our overseas operations were active in arranging syndicated finance. As a result of their efforts, Bank of China was acknowledged by *EuroWeek* magazine as one of the top 50 banks in arranging loan syndications in the European market. With BOC International and BOC Group Insurance launching their domestic operations, we have further aligned our corporate banking, investment banking and insurance businesses, and the synergy this has created is enabling us to improve the delivery of our complete range of services to corporate customers.

Modernising the bank and improving corporate governance remain key challenges for management. It is essential that we have a robust internal control framework with appropriate authority limits and a sound approval process. Our reward system must provide management and staff with appropriate incentives and at the same time ensure that they are held accountable. In developing our business strategy, we must ensure we are able to increase our profitability as well as our market share.

We have made considerable progress. We have implemented an independent credit approval process and all decisions are now based on a thorough analysis of the risks and rewards. We are committed to investing heavily to modernise our banking and information systems, as well as centralising data processing through the establishment of five domestic and three overseas information technology centres. A thorough review of our procedures is ongoing. We recognise that our staff are the key to our success. We have implemented a merit based staff evaluation process and the remuneration and promotion of all staff are linked to their performance. Combined with extensive training and the opportunity to gain experience working overseas, this has led to increased motivation and productivity across the board.

However, Rome was not built in a day, and the bank's modernisation will take a number of years to complete. Having set ourselves ambitious targets, in 2003 we will build on our previous achievements, developing our products, customer relationships and delivery channels. Apart from identifying opportunities to reform the management of core businesses, our processes also need to be integrated further and we will continue our drive to separate front, middle and back office operations.

In corporate banking, we will concentrate on improving the existing structure, as well as identifying new areas of potential growth. In retail banking, we will continue to focus on our three core businesses of consumer lending, credit cards and sales of fee-based products. There are considerable opportunities to increase the cross-selling of retail banking services through our corporate banking network. We will seek to expand the share of the bank's overall earnings generated from fee-based business by developing the existing network and exploiting our strong brand. Meanwhile, overseas operations should benefit from China's WTO accession.

There is still much to be done. The realisation of our long-term goals hinges on improving our internal controls and risk management. We must establish a comprehensive risk management framework for all our businesses worldwide. Particular attention must be paid to proactive management of our loan portfolio and reducing the burden of non-performing

loans. We are committed to increasing provision coverage to international standards and improving transparency.

In 2003, although we do not expect to see any general recovery in the world economy, China's strong economic growth is set to continue. It is now more than a year since China's accession to the World Trade Organisation. Whilst the increasing role of foreign banks will bring additional competition, it has also invigorated the market. The ongoing opening up of the banking sector and the reforms we have initiated will ensure Bank of China is well positioned to play its full part. Our medium-term objective is to prepare the bank for an initial public offering. This, however, is only one step in achieving our longer-term goal for Bank of China to be the flagship of China's commercial banks and one of the world's truly international banks.

I would like to thank all our management and staff for their loyalty, without which we would not have been able to make such remarkable progress. I would also like to thank our customers and fellow bankers for their continuing support. There remain many challenges and opportunities ahead. With our commitment to China's reform process and to modernising the bank, I have every confidence that Bank of China will emerge from 2003 stronger and more competitive.

A handwritten signature in black ink, appearing to be the Chinese characters '刘明' (Liu Ming), written in a cursive style.

Vice Chairmen



Sun Changji (left) Liu Jinbao (right)

Top Management



Liu Mingkang

(front middle)

Chairman and President

In charge of the Internal Supervision Department, the Overseas Business Management Department, also Chairman of the Bank of China (Hong Kong) Ltd., the Bank of China Hong Kong (Holdings) Ltd. and the Bank of China International Holdings Ltd. (BOCI)

Sun Changji

(front second from left)

Vice Chairman and Executive Vice President

In charge of the Human Resource Department, the Information Technology Department, the Beijing School for Advanced Study of International Finance and the Shanghai School for Advanced Study of International Finance

Ping Yue

(front second from right)

Managing Director

In charge of the Audit Department and the Inspection Department

Hua Qingshan

(front left)

Executive Vice President

International Finance

In charge of the Executive Office, the Retail Banking Department, the Bank Card Centre and the Institute of

Li Zaohang

(front right)

Executive Vice President

In charge of the Investment Management Department, the Fund Custody Department, the Clearing Centre, and the General Affairs Department, also Chairman of the Bank of China Group Insurance Company Ltd.

He Guangbei

(back second from left)

Executive Vice President

Department and the BOCI

In charge of the Financial Institutions Department, the Global Markets Department, the Corporate Banking

Zhou Zaiqun

(back left)

Executive Vice President

In charge of the Asset & Liability Management Department, the Accounting Department and the Banking Department

Zhang Yanling

(back right)

Executive Vice President

In charge of the Risk Management Department, the Non-performing Assets Management Department, the Settlement Department and the Legal and Compliance Department

Chairman of the Supervisory Board



Cui Leiping

Company Information

Board of Directors

Name	Gender	Age	Position
Chen Muhua	F	81	Honorary Chairperson
Liu Mingkang	M	56	Chairman
Sun Changji	M	60	Vice Chairman
Liu Jinbao	M	50	Vice Chairman
Ping Yue	M	60	Director
Hua Qingshan	M	49	Director
Li Zaohang	M	47	Director
He Guangbei	M	48	Director
Zhou Zaiqun	M	50	Director
Zhang Yanling	F	51	Director
Wang Deyan	M	71	Director
Zhuang Shiping	M	91	Director

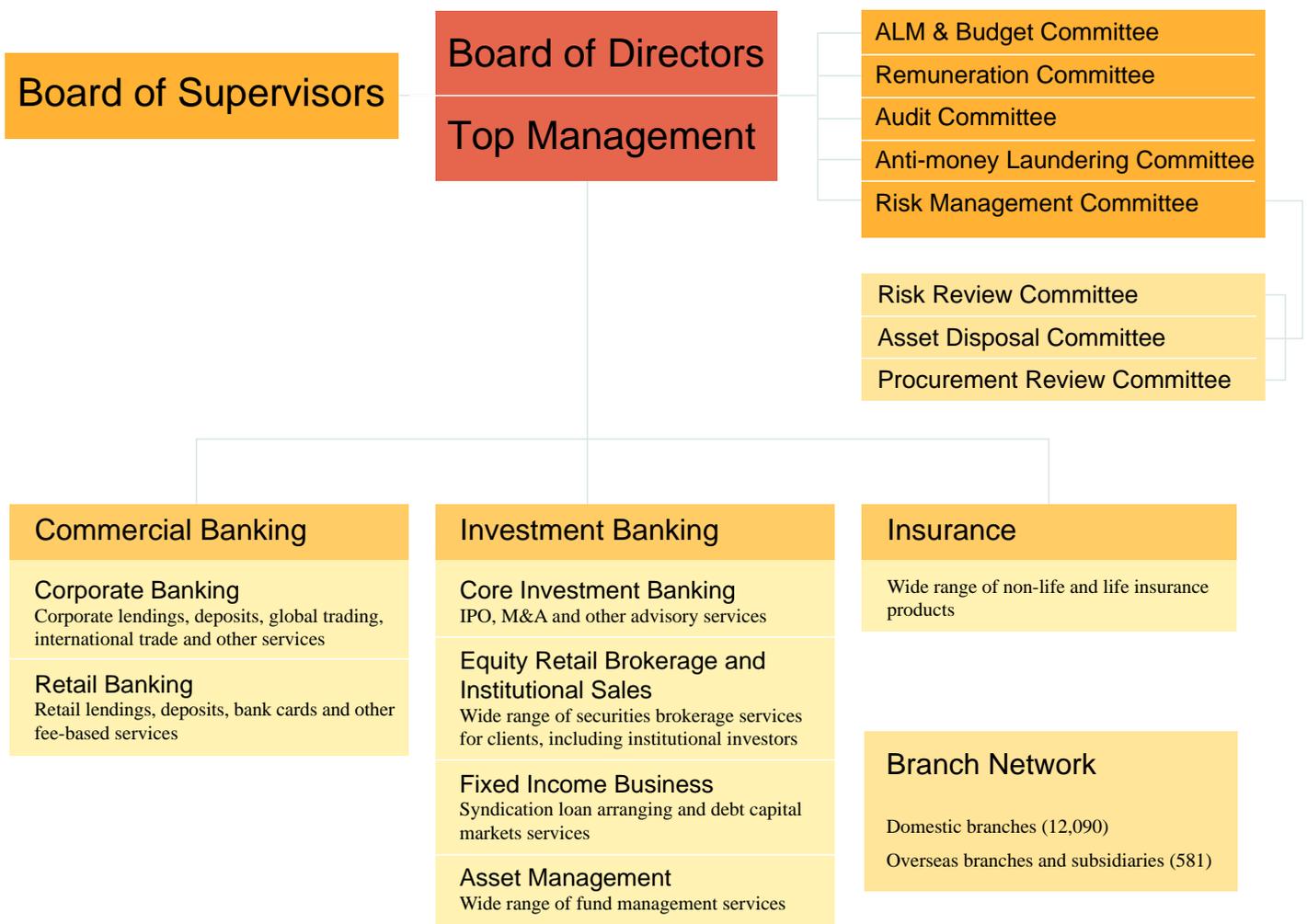
Board of Supervisors

Name	Gender	Age	Position	Institution
Cui Leiping	M	55	Chairman	
Pan Xiaojiang	M	50	Executive Supervisor	
Chen Qing	F	42	Executive Supervisor	
Xing Benxiu	M	39	Supervisor	People's Bank of China
Wang Lihua	M	38	Supervisor	Ministry of Finance
Luo Yibiao	M	38	Supervisor	China Audit Certified Public Accounts Limited
Liu Yan	F	39	Supervisor	Bank of China

Staff

At the end of 2002, there were 192,468 staff members, a reduction of 9,122 from the previous year. Of the total staff, 174,919 were employed in the domestic operations, a reduction of 9,610, and 17,549 were in the overseas operations, an increase of 488.

Organisation chart of the bank





With the strategy of building an integrated corporate and retail banking business supported by a modern IT infrastructure, Bank of China achieved strong growth in commercial banking, investment banking and insurance businesses.

Financial and Business Review

Business highlights

- **Highest retail loan growth among Chinese banks**

At the end of 2002, domestic retail loans reached RMB155.5 billion, an increase of RMB73.1 billion—the highest growth rate in the Chinese banking industry.

- **Number one in cards business in China**

Bank of China has established the largest customer base and merchant network in the domestic card market. The bank is the top renminbi and international credit card issuer. It was awarded MasterCard Asia/Pacific Best Partner in Domestic Used MasterCard Issuance by MasterCard International, and Best and Most Aggressive International Card Issuer in China and Largest International Card Acquirer in China by VISA International.

- **Only state-owned commercial bank custodian for National Social Security Fund**

Bank of China has obtained a licence to provide services under the Qualified Foreign Institutional Investor (QFII) scheme, and has become the only state-owned commercial bank to act as a custodian to the National Social Security Fund.

- **Top 50 arranger of European syndicated lending**

Ranking 43rd, Bank of China was among the top 50 arrangers of syndicated loans in the European market for the first time in 2002.

- **Significant reduction in non-performing assets**

The asset quality of Bank of China improved considerably in 2002. At the year end, the non-performing assets ratio of Bank of China Group was

22.5%, down 5 percentage points from the previous year. In the bank's domestic operations, non-performing assets of RMB59.6 billion have been resolved, resulting in cash recoveries of RMB34.7 billion.

- **Successful listing of Bank of China Hong Kong (Holdings) Limited**

Bank of China Hong Kong (Holdings) Limited commenced trading on the Hong Kong Stock Exchange on 25 July 2002. It was the first Chinese commercial bank to be successfully restructured and listed on an international stock market. This was also one of the largest listings globally in 2002, and the offer was over-subscribed. The bank won a total of ten awards for the listing.

- **Number one arranger of IPOs in Hong Kong**

In 2002, Bank of China International Holdings Limited (BOCI) remained the number one arranger of IPOs in Hong Kong, and became one of the top five advisors in Hong Kong's M&A market. It is also one of the largest securities brokers in Hong Kong and the market leader in the retail sector.

- **30% growth in insurance income**

Bank of China Group Insurance Company Limited (BOCG Insurance) grew its gross premiums by almost 30% to a record high of HK\$1.4 billion. For 7 years running, BOCG Insurance has been the largest general insurer in Hong Kong.

Financial review

Summary

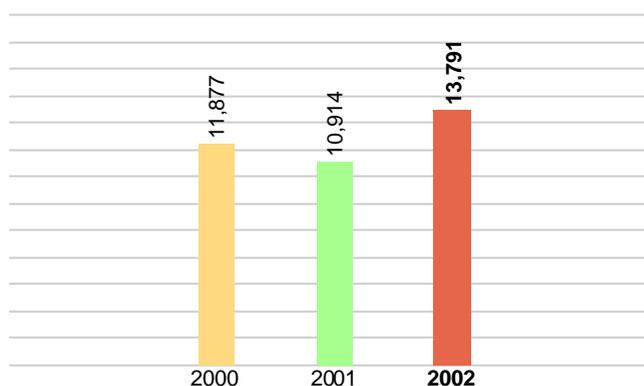
In 2002, the BOC Group (the group) generated pre-tax profit of RMB13,791 million, an increase of 26.36% over the previous year. RMB2,383 million of the profit was attributable to the domestic operations and RMB11,408 million to overseas businesses, representing increases of 6% and 31.64% respectively over 2001.

Operating profit before provisions was RMB42,680 million. However, the result was affected by measures taken to address historical non-performing assets. During the year, the group reversed RMB9,136 million of overdue interest and also incurred a RMB455 million loss on the transfer of equity investments to China Orient Asset Management Corporation. Excluding the effect of these two items, operating profit before provisions was RMB52,271 million, an increase of 25.68%. 2002's results also benefited from a RMB5,587 million profit on the sale of a minority stake of BOC Hong Kong (Holdings) Limited. After excluding this gain as well as the amounts referred to above, core operating profit before provisions was RMB46,684 million, an increase of 12.25% over the comparative figure for 2001.

As well as the measures already described to address non-performing assets the group made significant provisions of RMB26,711 million for bad and doubtful debts. Operating profit after these provisions was RMB15,969 million, representing a significant increase of 57.31%.

The group's return on assets was 0.27%, up 0.04 of a percentage point over the previous year, and return on net assets increased by 0.55 of a percentage point to 4.31%.

Pre-tax profit
(RMB million)

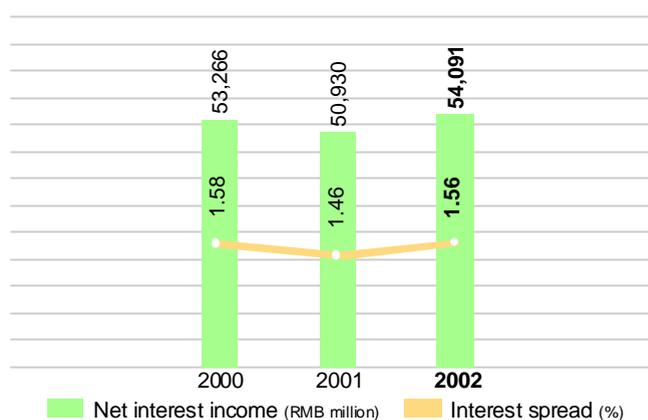


Profit and loss

Profit and loss account highlights	RMB million	
	2002	2001
Net interest income	54,091	50,930
Other operating income, net	22,244	14,709
Business tax and surcharges	3,388	4,643
Operating expenses	30,267	27,651
Operating profit before provisions	42,680	33,345
Provisions for bad and doubtful debts	26,711	23,194
Operating profit	15,969	10,151
Non-operating income, net	-2,178	763
Pre-tax profit	13,791	10,914
Net profit	9,445	7,908

The strong growth in pre-provisioning core operating profit and steady growth in net profit demonstrate the tremendous progress made in our businesses. Interest income remains the largest source of income for the group but we have been successful in increasing non-interest income. Other operating income, excluding the contribution from the sale of a stake in BOC Hong Kong (Holdings) Limited, represented 23.54% of total operating income, up from 22.41% a year earlier. Our drive towards improving operational efficiency has also paid dividends with the cost income ratio falling by 2.48 percentage points to 39.65%. Excluding the sale of BOC Hong Kong (Holdings) Limited and the overdue interest reversal, the cost income ratio is still on a downward trend, reducing by 0.06 of a percentage point to 37.89%.

Net interest income and spread



Net interest income

Interest income and expense	RMB million			
	2002	2001	Changes	(%)
Interest income	102,156	133,195	-31,039	-23.30
Interest expense	48,065	82,265	-34,200	-41.57
Net interest income	54,091	50,930	3,161	6.21
Average interest-earning assets	3,279,620	3,190,930	88,690	2.78
Average rate on interest-earning assets (%)	3.11	4.18	-1.07	
Average interest-bearing liabilities	3,091,818	3,029,040	62,778	2.07
Average rate on interest-bearing liabilities (%)	1.55	2.72	-1.17	
Average interest spread (%)	1.56	1.46	0.10	

Lower global and domestic interest rates during the year reduced the average interest rate on both the group's assets and liabilities. However, the reduction in the average interest rate on the group's

assets was lower than on the group's liabilities. As a result, interest spread increased.

Interest income

Interest income	RMB million			
	2002	2001	Changes	(%)
Loans	60,660	75,013	-14,353	-19.13
Inter-bank placements	15,785	27,429	-11,644	-42.45
Debt securities	25,711	30,753	-5,042	-16.40
Total	102,156	133,195	-31,039	-23.30

The decrease in interest income for 2002 was mainly caused by interest rate cuts in both renminbi and foreign currencies. Also as already noted, the group's interest income was adversely affected by the reversal of RMB9,136 million of overdue interest

previously accrued, which was RMB1,915 million higher than in 2001. This interest was reversed in accordance with regulations issued by the Ministry of Finance.

Interest expense

Interest expense	RMB million			
	2002	2001	Changes	(%)
Customer deposits	35,508	65,839	-30,331	-46.07
Inter-bank placements	12,367	16,051	-3,684	-22.95
Bonds issued	190	375	-185	-49.33
Total	48,065	82,265	-34,200	-41.57

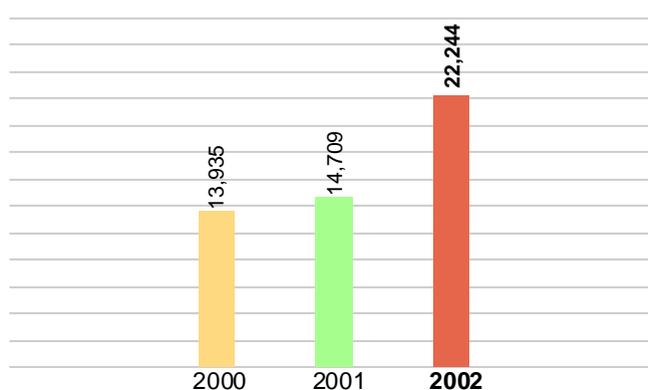
Despite a 2.07% increase in average interest-bearing liabilities, interest expense reduced by 41.57% due to the generally lower interest rate environment, both in renminbi and foreign currencies.

The average interest rate payable on liabilities reduced by 117 basis points to 1.55%.

Other operating income, net

Other operating income, net	RMB million			
	2002	2001	Changes	(%)
Fee and commission income	9,480	8,495	985	11.60
Fee and commission expense	1,784	1,755	29	1.65
Net fee and commission income	7,696	6,740	956	14.18
Income from treasury activities	4,232	5,210	-978	-18.77
Investment income	10,108	2,607	7,501	287.73
Other	208	152	56	36.84
Total	22,244	14,709	7,535	51.23

Other operating income, net
(RMB million)



Fee and commission income

Fee and commission income for 2002 amounted to RMB9,480 million, an increase of RMB985 million over the previous year. Many of our businesses have been successful in increasing non-interest income, and in particular fees and commissions from our lending, cards and custodian businesses all showed strong growth.

Investment income

Investment income for 2002 reached RMB10,108 million, an increase of RMB7,501 million over 2001. The profit from the sale of shares to the public on the listing of BOC Hong Kong (Holdings) Limited contributed RMB5,587 million. During the year the bank increased its bond trading activities on the international capital markets, which also helped to boost investment income.

Operating expenses

The group's operating expenses for 2002 increased by RMB2,616 million, or 9.46%, to RMB30,267 million. The main increases were in staff costs and depreciation although there was a slight increase in general operating expenses.

The increase in staff costs reflects the investment made in staff welfare and training initiatives and the progress made in implementing a performance-based rewards system.

Continued investment in technology with the centralisation of data processing centres and modernisation of our systems has led to an increase in the depreciation charge. In addition, property held by BOC Hong Kong was revalued during 2001 as part of the restructuring process, also leading to an increased charge in 2002.

Operating expenses	RMB million			
	2002	2001	Changes	(%)
Staff costs	13,497	11,981	1,516	12.65
General operating expenses	11,379	11,033	346	3.14
Depreciation	5,391	4,637	754	16.26
Total	30,267	27,651	2,616	9.46

Provisions for bad and doubtful debts

Provisions for bad and doubtful debts	RMB million		
	General provisions	Other provisions	Total
Balance at 1 January 2002	30,702	42,535	73,237
Charge for the year	16,431	10,280	26,711
Write-off during the year	13,698	6,035	19,733
Transfer from undistributed profit	-	9,000	9,000
Reclassifications	-5,720	5,720	-
Others	133	908	1,041
Balance at 31 December 2002	27,848	62,408	90,256

In 2002, the group made provisions of RMB26,711 million which was RMB3,517 million, or 15.16%, higher than in 2001. In addition, RMB9,000 million was transferred from undistributed profit to other provisions in accordance with Ministry of Finance regulations. As a result, total provisions held against bad and doubtful debts increased by 23.24% to reach RMB90,256 million at 31 December 2002.

At the end of 2002, in accordance with the People's Bank of China's five-category loan classification system the group's non-performing assets were RMB408,531 million. At 22.49%, the NPA ratio was 5.02 percentage points lower than that at the end of 2001, and the provision coverage had increased by 5.29 percentage points to 22.09%.

Non-operating income, net

Non-operating income, net	RMB million			
	2002	2001	Changes	(%)
Non-operating income	1,180	1,739	-559	-32.14
Non-operating expenses	3,358	976	2,382	244.06
Non-operating expense/income, net	-2,178	763	-2,941	-385.45

In 2002, group non-operating expenses were RMB3,358 million, an increase of RMB2,382 million over the previous year. This mainly represents the cost of subsidising the purchase of housing

by employees as required by applicable regulations.

Assets and liabilities

Balance sheet highlights	RMB million	
	2002	2001
31 December		
Due from banks and inter-bank placements	444,337	566,223
Investments	987,263	841,645
Accounts receivable	54,446	74,172
Bills discounted and trade finance related receivables	81,735	44,832
Loans and overdrafts	1,735,810	1,586,937
Total assets	3,593,908	3,361,619
Due to banks and inter-bank placements	329,019	401,738
Customer deposits	2,755,271	2,477,143
Total liabilities	3,357,449	3,140,528
Minority interests	16,799	2,671
Owner's equity	219,660	218,420

As of 31 December 2002, the group's total assets amounted to RMB3,593.9 billion, an increase of RMB232.3 billion, or 6.91%, from the previous year. The group's total liabilities rose by RMB216.9 billion, or 6.91% to RMB3,357.4 billion and owner's

equity reached RMB219.7 billion, an increase of RMB1.2 billion. The main changes in the group's assets and liabilities during the year are described in the following paragraphs.

Due from banks and inter-bank placements

The group's inter-bank lending at the end of 2002 reduced to RMB444.3 billion, a 21.53% decrease from the prior year. Due to the lowering of interest rates on inter-bank lending in the year, the group reduced its foreign currency lending to banks. In addition, as the group integrated its global treasury operations, the group was able to reduce the inter-bank lending conducted by its overseas operations.

Investments

At the end of 2002, the group's investments amounted to RMB987.3 billion, up 17.3% from the previous year. The majority of the increase was due to a decision to expand holdings of foreign currency debt securities. In addition, the bank entered into a number of Debt-for-Equity Swap arrangements in accordance with relevant government policies.

Accounts receivable, which mainly includes interest receivable, decreased by 26.59% in the year to RMB54.4 billion. This was mainly attributable to the reversal of interest accrued in prior years which is now considered to be irrecoverable in accordance with relevant rules and regulations.

Bills discounted and trade finance related receivables

At the end of 2002, bills discounted and trade finance related receivables reached RMB81.7 billion, up 82.31% on the previous

year mainly due to successful growth of the bill discounting business.

Loans and overdrafts

At the end of 2002, loans and overdrafts stood at RMB1,735.8



billion, an increase of 9.38% over the previous year. The most significant growth was in domestic retail lending, where the bank achieved strong growth in housing and car loans. In addition, despite the effect of increased write-off of historical problem loans, we saw stable growth in our corporate loan business.

Loans and overdrafts	RMB million	
31 December	2002	2001
Domestic operations	1,311,747	1,176,510
Corporate lending	1,156,248	1,094,083
Retail lending	155,499	82,427
Overseas operations	424,063	410,427
Corporate lending	296,349	285,554
Retail lending	127,714	124,873
Total	1,735,810	1,586,937

Due to banks and inter-bank placements

At 31 December 2002, amounts due to banks and inter-bank placements were 18.10% lower than a year earlier at RMB329 billion. The most important factor in the decrease was the ongoing integration of the bank's global treasury operations, which improved the efficiency of liquidity management and led to a reduction in the requirement for inter-bank borrowing by the group's overseas operations.

Customer deposits

Over 2002, the group's customer deposits grew by 11.23%

Customer deposits	RMB million	
31 December	2002	2001
Domestic operations	2,000,999	1,715,187
Corporate deposits	771,568	671,060
Retail deposits	1,229,431	1,044,127
Overseas operations	754,272	761,956
Corporate deposits	191,586	197,499
Retail deposits	562,686	564,457
Total	2,755,271	2,477,143

Capital adequacy ratio

Consolidated capital adequacy ratio	RMB million	
31 December	2002	2001
Core capital	181,404	182,790
Total capital	188,179	182,790
Risk weighted assets	2,309,861	2,201,020
Core capital adequacy ratio (%)	7.85	8.30
Total capital adequacy ratio (%)	8.15	8.30

At 31 December 2002, the group's total capital, calculated in accordance with the requirements of the People's Bank of China, was RMB188.2 billion, an increase of RMB5.4 billion over the previous year. Total risk weighted assets were RMB2,309.9

to RMB2,755.3 billion. Growth resulted from the group's continued success in attracting both retail and corporate deposits, at a time when investment alternatives were limited.

Minority interests

Minority interests increased by 528.94% to RMB16.8 billion as a result of the public offering of BOC Hong Kong (Holdings) Limited.

billion, an increase of RMB108.8 billion. The core and total capital adequacy ratios both declined slightly to 7.85% and 8.15% respectively.

Business review

Bank of China manages its operations through three main business lines. The group's commercial banking business covers services provided to retail and corporate customers, including financial institutions in both the home and overseas markets. Investment banking covers a wide range of corporate finance, brokerage, fixed income and asset management businesses worldwide. The insurance business provides life and general insurance services to corporate and retail customers in Hong Kong and on the Chinese mainland.

During 2002, the global economy remained sluggish, affected by financial instability in Latin America and widely publicised corporate scandals in the United States. Despite this, China's economy continued to thrive. Domestic GDP was up 8% year on year, reaching RMB10 trillion, and China attracted in excess of US\$50 billion in foreign direct investment-- the highest globally. Total foreign trade reached a historical high of US\$620 billion.

With its accession to the WTO, China opened its markets to increased foreign competition during 2002. Foreign banks continued to strengthen their foothold, increasing the dynamism of the financial sector. Growth in the banking industry was steady, with deposits increasing by 19% to RMB1,710 billion, and total loans up by 17% to RMB1,310 billion.

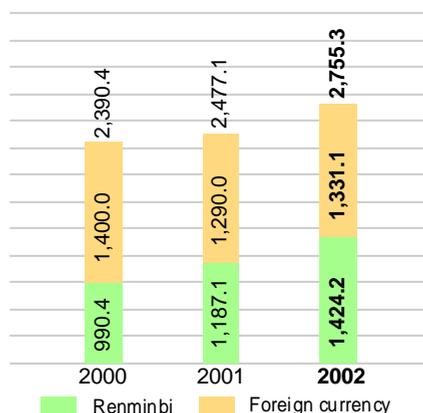
Commercial banking

In 2002, Bank of China continued to implement its strategy of building an integrated corporate and retail banking business supported by a modern IT infrastructure. This has resulted in strong growth in our commercial banking business, with deposits increasing by RMB278.2 billion or 11.2% to RMB2,755.3 billion and the loan book expanding by RMB185.7 billion to RMB1,817.5 billion, an increase of 11.4%.

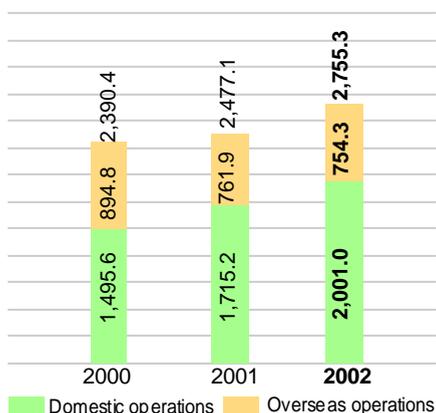
During 2002, Bank of China focused its efforts on rationalising the domestic branch network. Branches have been upgraded or relocated and a total of 467 uneconomic outlets were closed during the year. Some new branches were opened in major cities and more developed areas.

Overseas, the bank opened a number of branches and offices in selected regions. The Manila branch was opened in early 2002. Bank of China (Hungary) Limited was established in January 2003 and Jakarta branch was granted approval to re-open in February 2003. By the end of 2002, the bank's overseas network had expanded to cover 26 countries and regions.

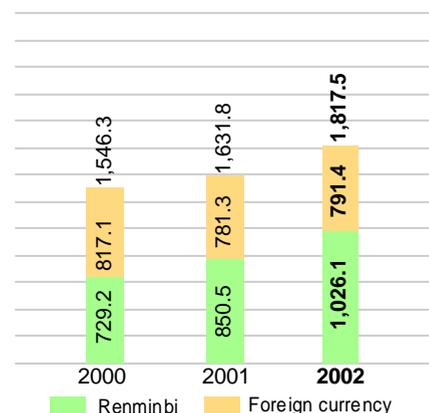
Group deposits by currency
(RMB billion)



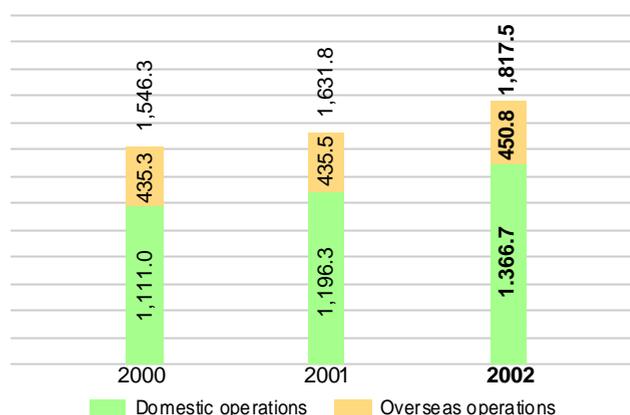
Group deposits by geographical region
(RMB billion)



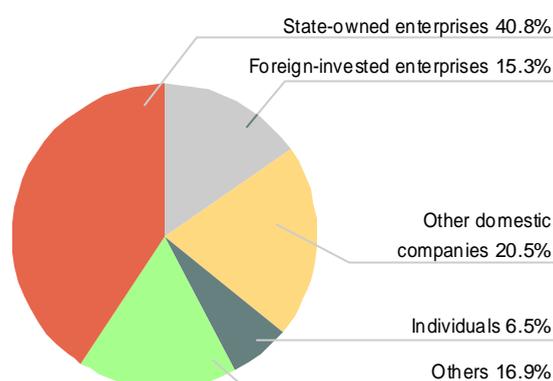
Group loans by currency
(RMB billion)



Group loans by geographical region
(RMB billion)



Domestic loans by customer type



Retail banking

- A number of new residential mortgage and auto loan products were introduced during the year, including products new to the domestic banking market.
- Domestic retail lending grew by RMB73.1 billion, or 88.7%, to RMB155.5 billion, the highest growth rate in the Chinese banking industry.
- Domestic retail deposits grew by RMB185.3 billion, or 17.8% to RMB1,229.4 billion, the highest growth of the four state-owned commercial banks.
- The bank is the largest domestic issuer of both renminbi and international credit cards and has the largest merchant network in China. The bank won awards for its card services from both MasterCard and VISA in 2002.

The group provides a comprehensive range of retail financial services to its customers on the Chinese mainland and overseas. These services include a range of current, savings and deposit accounts; mortgage, auto and personal loans; credit and debit cards; and insurance, foreign exchange and wealth management services. These products are distributed through the bank's global network. In Hong Kong and other selected locations, the group

has also introduced e-banking and telephone banking services.

Deposits

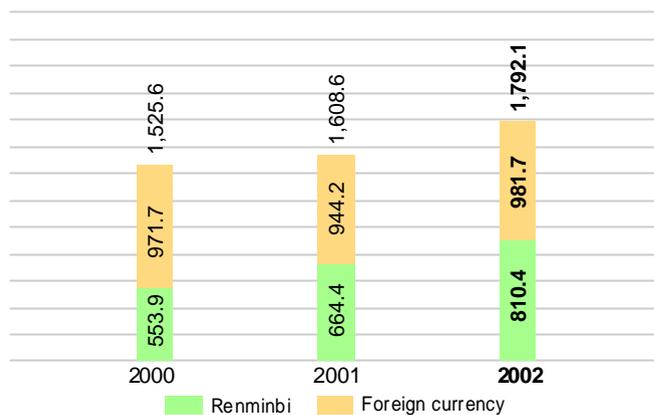
At the end of 2002, the group's retail deposits stood at the equivalent of RMB1,792.1 billion, an increase of RMB183.5 billion or 11.4% over the previous year.

The bank places significant emphasis on growing its deposit base to ensure that core deposits constitute the major source of funding. Due to concerted efforts during the year, domestic retail deposits grew by an encouraging RMB185.3 billion, or 17.8% to RMB1,229.4 billion. This included renminbi savings deposits of 810.4 billion, an increase of 22% over the previous year and the highest in the bank's history. The bank's market share⁽¹⁾ of renminbi savings deposits was 9.3%, an increase of 0.3 of a percentage point over 2001. At the end of 2002, foreign currency deposits taken by domestic operations increased to US\$50.6 billion, a rise of 10.2% from the previous year. The bank's market share of foreign currency deposits was 56.9%, an increase of 0.6 of a percentage point from the previous year.

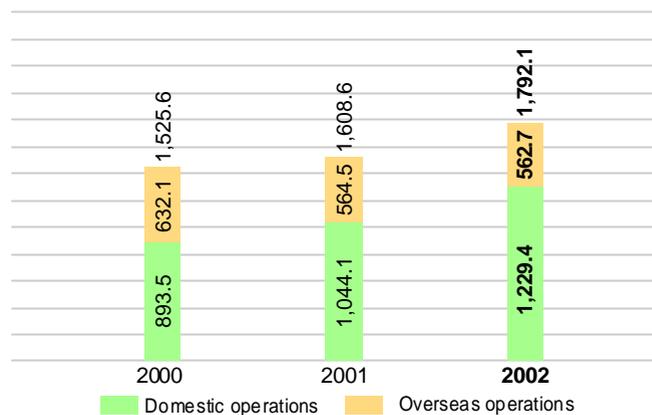
The group's overseas operations had retail deposits at the year end of US\$68 billion, a slight decline of US\$0.2 billion, or 0.3% compared with the previous year.

(1). Market share figures are quoted based on all Chinese financial institution.

Group retail deposits by currency
(RMB billion)



Group retail deposits by geographical region
(RMB billion)



Loans

At the end of 2002, the group's retail loans stood at the equivalent of RMB291.3 billion, an increase of RMB84 billion, or 40.5%, over the previous year.

Increasing consumer finance business is a major strategic objective of the bank. In 2002, the bank achieved its aim of doubling the previous year's growth in retail lending.

Domestic retail loans grew to RMB155.5 billion, an increase of RMB73.1 billion, or 88.7%, over the previous year. This was the highest growth rate in the Chinese banking industry and the bank's market share grew to 14.5%, an increase of 2.9 percentage points.

In 2002, Bank of China launched a number of new residential mortgage products, including products specifically targeted at the secondary market. A key feature of one of these products enables the bank to assign a customer's existing loan to a subsequent purchaser of the property subject to

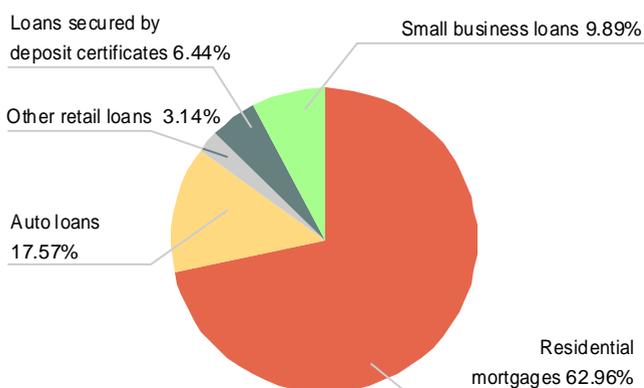
satisfactory credit approval. The bank also offered top-up loans to enable customers to access equity in their property and, for the first time, offered mortgage loans to non-Chinese nationals.

At the end of the year, domestic residential mortgage loans were RMB97.9 billion, an increase of 86.8% from the previous year.

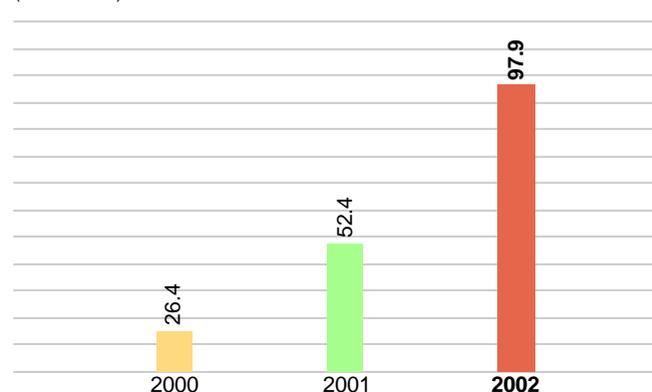
The bank has actively developed its auto loan business and introduced new loan products for second-hand and imported cars. Links with car dealers have been established to provide auto loans at the point of sale, improving customer service and convenience. Auto loans grew to RMB27.3 billion, an increase of 187%.

Although the markets of many of the group's overseas operations did not present as many opportunities for growth, the group was still able to grow overseas retail loans by US\$1.3 billion, or 8.6% to US\$16.4 billion.

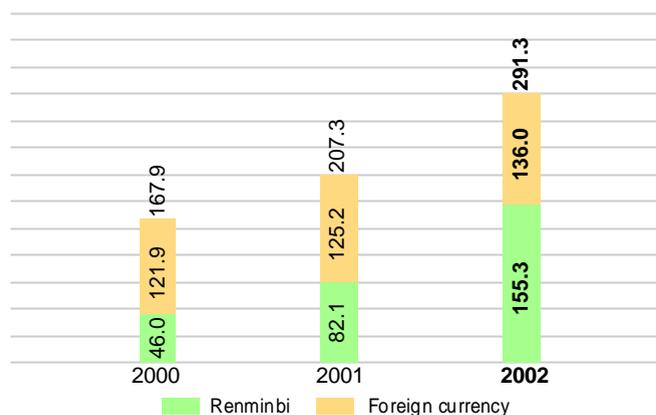
Domestic retail loans by product



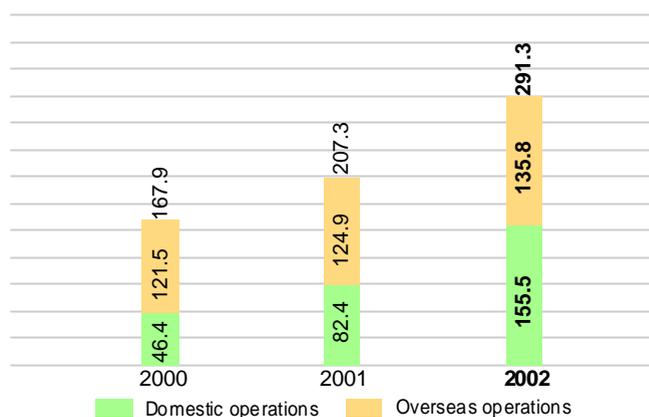
Domestic residential mortgage loans
(RMB billion)



Group retail loans by currency
(RMB billion)



Group retail loans by geographical region
(RMB billion)



Fee-based businesses

In 2002, the bank focused on increasing the contribution from its fee and commission based businesses. These include insurance, securities, foreign exchange, and personal wealth management services.

We have upgraded our retail foreign exchange trading service so that customers can carry out foreign exchange transactions around the clock through our telephone banking system. The total volume of retail foreign exchange transactions handled by the bank's domestic operations reached US\$23.9 billion, an increase of 144% on the previous year.

The bank is promoting its insurance agency business through alliances with major insurers, including Ping An Insurance and China Life Insurance. In 2002, policies were sold through the bank's network with total premiums of RMB3.4 billion.

The bank launched its new wealth management brand, Bank of China Wealth Management, during the year and will soon introduce the first wealth management centre to serve the needs of its high net worth customers.

Bank cards

2002 was another successful year for the bank's domestic bank cards business. At the end of 2002, the number of Great Wall Renminbi credit cards in issue was 5.25 million, an increase of 850,000 cards or 14%. The bank's market share of credit cards was 23%. The average annual spending on each Great Wall Renminbi credit card registered a year-

on-year increase of 18% and reached RMB3,129. The total amount of goods and services purchased using Great Wall Renminbi cards increased by 56% to RMB25.6 billion. At the year end, the number of authorised merchants had risen to 100,000 -- the largest merchant network of all the Chinese banks.

The bank has upgraded its international card customer service through the introduction of an online platform offering many functions, such as applications and enquiries. At the end of 2002, the number of Great Wall International Cards in circulation issued by domestic operations had increased by 107% over the previous year, reaching 230,000. For the second consecutive year, the bank was the largest issuer of international cards in China, with a market share exceeding 60%.

The bank's merchant acquiring business for foreign credit cards also grew impressively. Total transaction volume reached RMB10.5 billion, an annual increase of 23%. Despite fierce competition, the bank's market share exceeded 60% and the bank remains the overwhelming market leader.

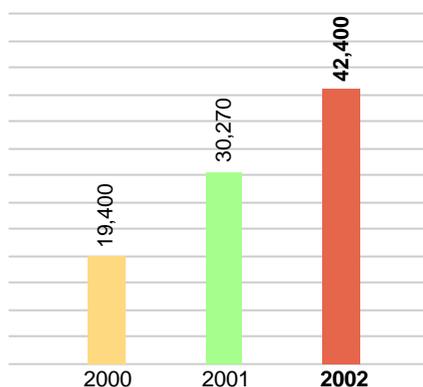
The bank continued to expand its debit card services to target customers travelling or studying abroad, launching the Great Wall International debit card in larger cities, including Shanghai and Guangzhou. By the end of 2002, the number of renminbi debit cards issued had reached 42.4 million, an increase of 40% over the previous year. The number of Great Wall international debit cards was up more than 150% on the previous year, increasing by 11,800.

Outlook for 2003

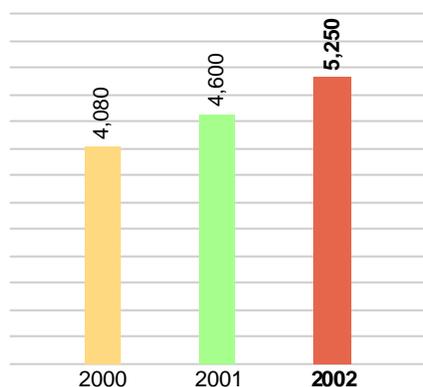
The fierce competition in the group's retail banking markets is expected to intensify in 2003. The bank's goals are to increase its market share in retail deposits, loans and debit cards and to increase the income from fee-based businesses.

With its range of services, strong market share and innovative product development, the bank is well placed to meet the upcoming challenges with confidence.

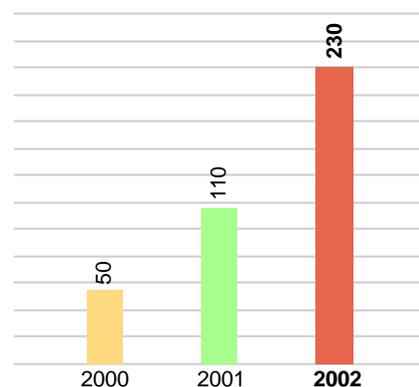
Renminbi debit cards issued by domestic operations
(in thousands)



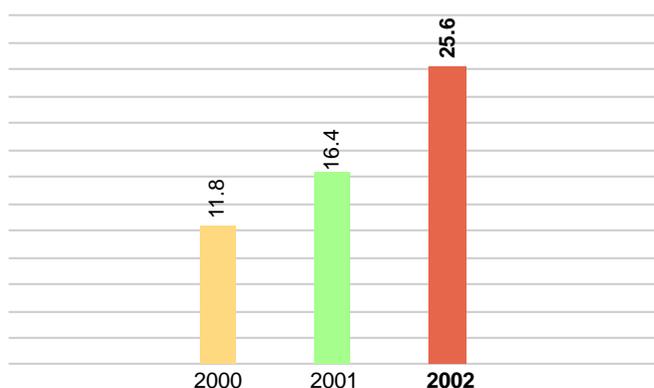
Renminbi credit cards issued by domestic operations
(in thousands)



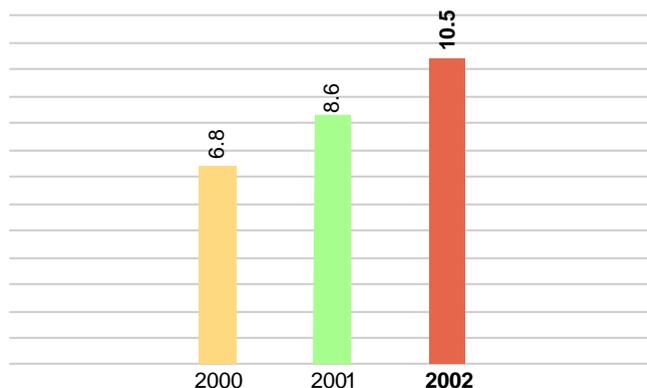
International cards issued by domestic operations
(in thousands)



Transaction volume for Great Wall Cards issued by domestic operations
(RMB billion)



Transaction volume for foreign credit cards handled by domestic operations
(RMB billion)



Corporate banking

- The bank obtained a licence to provide services under the QFII scheme, and became the only state-owned commercial bank to act as custodian to the National Social Security Fund.
- Bank of China maintained its leading position in China in international trade services and foreign currency clearing services.
- The bank was ranked among the top 50 arrangers of syndicated loans in the European market for the first time.
- US-based *Global Finance* magazine selected the bank as China's Best Trade Finance Bank and Best Foreign Exchange Bank.

Our corporate banking business provides a wide range of products and services. As well as traditional credit products, the bank provides trade finance, clearing and cash management solutions, investment fund custodian services and advice on financing and capital raising.

During 2002, the bank focused on enhancing the risk profile of its customer base through improved credit assessment processes and by reducing exposure to certain industries.

The bank also introduced a number of new corporate banking products during 2002, including:

- **Non-recourse account receivables purchasing** This innovative new product has been popular with multinational companies.
- **Special draft discount** Discount interest is charged by the buyer. Bank of China was one of the first to offer this product in China; it has strengthened relationships with key customers, including many household names.

Corporate account overdraft

- This product is a breakthrough in China and offers a choice of currencies and interest rates in line with international practice.

Public business card

- The card can be applied by an individual and employed as a medium for business-related expense reimbursement. The bank was one of the first in China to introduce this product, which has of international companies.

E-banking

- Having enhanced the Internet Banking system in 2002, the bank now can provide corporate customers with four main internet banking products and services, including Cybergiro (online payment system), Cyber tariff (tariff online payment system), online balance and transaction enquiry in both the renminbi and foreign currency, and the seamless link to corporate SAP financial system and the bank's internet banking system.

Quotation service for interest rate swap

The bank was able to provide a quotation service for interest rate swap

trades, laying a solid foundation to become an active market-maker in renminbi derivatives.

- **Bond indices** The bank has also started publishing a number of indices tracking domestic bond performance. These indices include the Inter-bank Composite Index, the Government Bond Index and the Quasi-sovereign Bond Index. Several leading consulting firms and information service providers now include these indices in their reports on the renminbi bond market.

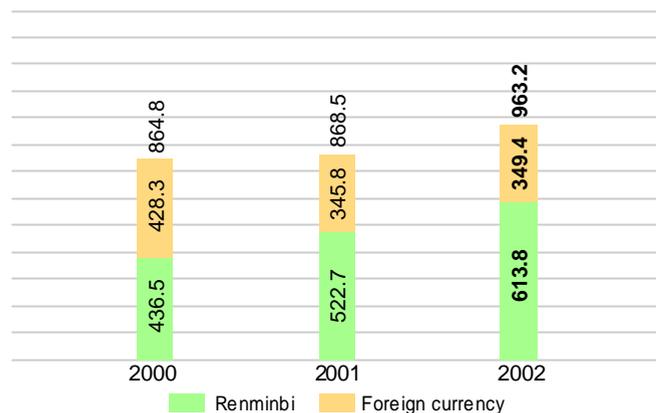
Corporate deposits and loans

By the end of 2002, corporate deposits had increased to an equivalent of RMB963.2 billion, an increase of RMB94.7 billion, or 10.9% over the previous year. The bank's market share of renminbi deposits was 7.3%, a slight decline of 0.2 of a percentage point. Its market share of foreign currency deposits was 34.6%, an increase of 1 percentage point. Corporate loans stood at an equivalent of RMB1,524 billion at the end of 2002,

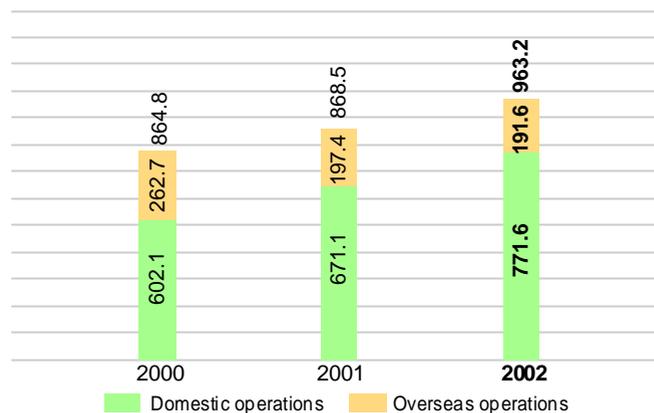


an increase of RMB99.5 billion, or 7.0% over the previous year.

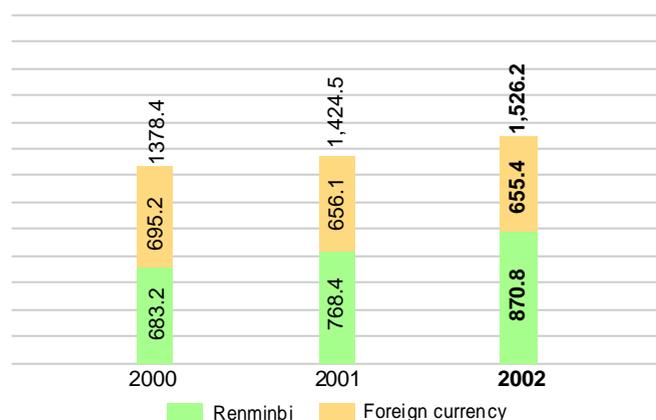
Group corporate deposits by currency
(RMB billion)



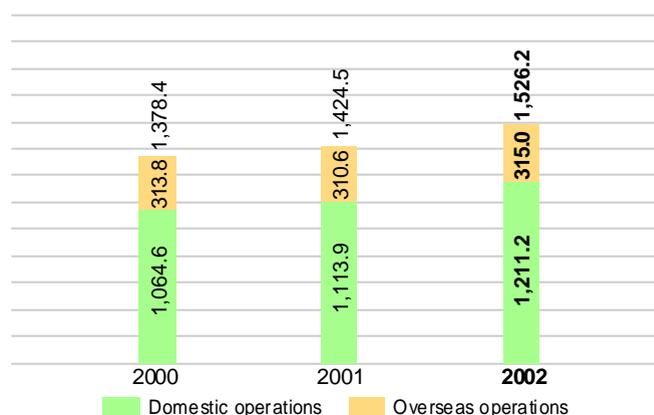
Group corporate deposits by geographical region
(RMB billion)



Group corporate loans by currency
(RMB billion)



Group corporate loans by geographical region
(RMB billion)



Institutional banking

At the end of 2002, renminbi and foreign currency deposits placed with the bank by domestic financial institutions stood at RMB84.6 billion and US\$5.7 billion respectively. The bank's share of renminbi deposits accounted for 11.3% of total deposits placed by all domestic financial institutions.

The bank has been aggressive in competing for custodian business, including providing B-share clearing services for securities companies to consolidate its position in this sector. The bank has also been focusing on developing alliances with insurance companies to sell policies through the retail banking network. As a result, commission income from

this business increased.

In 2002, the bank saw healthy growth in its funds businesses. The bank's fund custodian business grew by 138% over 2001, significantly higher than the average market growth. In December 2002, the bank successfully tendered to act as the custodian to the National Social Security Fund, which we see as the key growth area for this business. The bank also achieved strong growth in fund distribution, with sales reaching RMB5 billion. Sales of the E Fund set a domestic record for a single open-ended fund.

Global trading and treasury services

Leveraging its global trading and treasury operations, the bank has developed a new series of flexible investment products offering enhanced yields and targeting corporate treasurers and other portfolio managers. These include option and swap linked deposits with a variety of interest rate features.

At the end of 2002, domestic bills discounted amounted to RMB145.2 billion, of which bills discounted represented RMB99.2 billion, and those rediscounted RMB46 billion. The bank's bills financing business grew at a faster rate than any other Chinese bank.

Bank of China is a leading player in the domestic foreign exchange market, acting on behalf of the China's State Administration for Foreign Exchange (SAFE) as an intermediary between exporters, who are required to sell their surplus foreign currency earnings, and importers, who need foreign exchange to pay suppliers. During 2002, this domestic foreign exchange business amounted to US\$196.1 billion, 22.1% up from the previous year. Most of this business is transacted on a spot basis, with the spot volume for year being US\$191.8 billion, an increase of 26.1%. The decrease of forward volume was due to market expectation of a more stable renminbi exchange rate.

Since the Shanghai Gold Exchange started operations on 30 October 2002, the bank has established itself as an active participant and the leading market-maker. By the year end, the bank had completed transactions totalling 6,304 kilogramme, which represented 30% of the total volume through the exchange.

Trade and clearing services

At the end of 2002, the bank's international trade volumes reached US\$472.2 billion, an increase of 22.8% over the previous year.

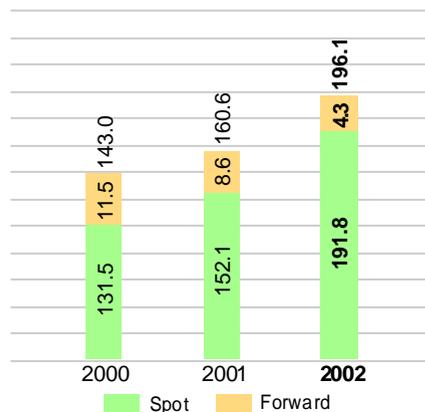
In 2002, Bank of China maintained its position as market leader in foreign currency clearing services. It has accelerated its development of a modern integrated clearing infrastructure, working with experienced international banks as advisors to analyse the current systems and design its future architecture.

Outlook for 2003

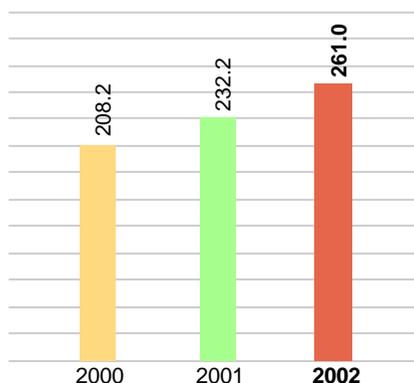
In 2003, the bank will continue to focus on improving its internal processes and management structure. We also plan to explore the synergy between our corporate banking, investment banking, and insurance business, and to improve coordination between our domestic and overseas network to provide a more integrated service.

The bank's marketing efforts will be directed at increasing business with multinationals, for key national projects and with state-owned and private companies with strong business prospects and sound corporate governance. Improving asset quality and the risk profile of the portfolio remain key objectives for 2003.

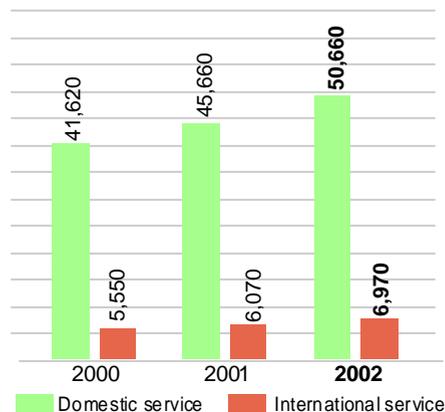
Domestic foreign exchange transaction volume (US\$ billion)



International trade services by domestic operations (US\$ billion)



Payments and clearing volumes (Thousands of payments)



Bank of China in Hong Kong

On 1 October 2001, Bank of China (Hong Kong) Limited (hereinafter referred to as BOCHK) was established after the merger and restructuring of the sister banks of the former BOC Group. Under a unified brand name and new

organizational structure, BOCHK has enhanced its efficiency in management system which emphasizes on the customer-focused and market-oriented mechanisms, and overall competitive edge and synergy as well.



On 25 July 2002 Bank of China Hong Kong (Holdings) Limited⁽²⁾ was successfully listed on Hong Kong Stock Exchange. It was the first Chinese commercial bank to be listed on an international stock market. This was also one of the largest listings in the world in 2002, and was one of the highest over-subscribed issuance in the international capital markets. BOCHK's successful listing was recognized with a total of ten awards by a number of institutions. The stock was also included in the Hang Seng Index and is a constituent stock in several other indices. This reflects the wide recognition of BOCHK as an important listed financial institution by the market. The restructuring and successful listing has provided valuable experience, which will be applied during the ongoing modernisation of the rest of the group.

Despite the unfavourable business environment in Hong Kong, BOCHK enjoyed a reasonable performance in 2002. BOCHK has been focusing on realizing the full potential of its customer base. By diversifying its product and identifying cross selling opportunities BOCHK has significantly increased its product penetration. During the year BOCHK actively promoted the sales of Premium Deposit Series and guaranteed funds which were popular with consumers.

BOCHK has also been working hard to improve asset quality.

A new framework for credit approval and monitoring has been introduced and continually refined, which has curtailed the generation of new non-performing assets.

Demand for both corporate and retail lending remained low. However, by leveraging its network and client base BOCHK developed its credit card and consumer finance businesses significantly. Branch rationalization continued as planned, with the aim of building an integrated network of full service branches, self-service banking centres, wealth management centres and VIP branches.

The economic outlook for Hong Kong remains uncertain for 2003 and it will be a tough year for the banking industry. We are confident that after its restructuring BOCHK is prepared to meet the challenges ahead. BOCHK will deliver the promise of generating a long term and sustainable return on equity and maximizing shareholder value. To achieve this BOCHK will continue to develop high-end products and enhance its competitive edge. It will also leverage its relationship with the parent bank and expand its business in the highly competitive mainland banking market.

(2). Bank of China Hong Kong (Holdings) Limited was incorporated on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary.

Investment banking

- BOC International Holdings Limited (BOCI) remained the number one arranger of IPOs in Hong Kong in 2002.
- BOCI became one of the top five advisors in Hong Kong's M&A market.
- BOCI is one of the largest securities companies in Hong Kong and is the market leader in the retail sector.
- BOCI established BOC International (China) Limited, its mainland subsidiary, which started operations in Shanghai on 29 March 2002.

BOCI, which is incorporated in Hong Kong, is the group's investment banking arm and provides a wide range of corporate finance, retail and institutional equity sales, debt capital markets arranging and asset management services in Hong Kong. It has also set up a subsidiary to offer similar services on the Chinese mainland. BOCI has been serving the group and its customers for some 20 years, and its philosophy continues to be: client focus, teamwork, commitment, innovation and integrity.

2002 was a year of growth and innovation for BOCI. It expanded its mainland business where there were opportunities in advising companies accessing the capital market and it was also successful in growing its derivatives business with institutional customers. The retail brokerage operation expanded its network through the acquisition of an on-line securities company. These initiatives will lay a solid foundation for the future development of BOCI.

Investment banking services

BOCI's Investment Banking team provides corporate finance and advisory services, with a focus on IPOs, mergers and acquisitions (M&A) and corporate restructuring. In 2002, having been the number-one arranger of IPOs in Hong Kong once again, BOCI acted as joint global coordinator, joint book-runner and joint sponsor for the largest offering of the year -- BOC Hong Kong (Holdings) Limited. The listing was highly successful, especially given the stock market volatility, and won a number of awards.

BOCI also participated in a number of other large IPOs in Hong Kong, including the listing of China Telecom, CK Life Sciences

and China Oilfield Services. The total amount raised by these projects accounted for some 90% of the total funds raised from IPOs in the Hong Kong market.

In 2002, BOCI was one of the top five advisors in Hong Kong's M&A market, with transaction volume reaching US\$2.8 billion. BOCI acted as the joint advisor to Pacific Ports as part of the restructuring of the New World Group and was the financial advisor to Smart Watch Assets Limited in its US\$200 million acquisition of four tollway projects from Greater Beijing First Expressways. Recognising our expertise and experience, BOCI has been appointed financial advisor for the restructuring of local state-owned enterprises by the Henan provincial government and the Shenzhen, Xi'an and Suzhou municipal governments.

Equity retail brokerage and institutional sales

BOCI is one of the largest securities brokers in Hong Kong and is the market leader in the retail sector. In 2002, BOCI acquired Hutchison CSFBdirect, which was subsequently renamed BOCI Online Trading Limited (BOCI Online). With convenient electronic trading channels and a professional customer service team, BOCI Online provides customers with fast and diversified securities trading services. During the year, BOCI reorganised and consolidated a number of its internal departments to align them to serve institutional clients more effectively, and also set up its own derivatives trading service. Despite the decline in stock market turnover in Hong Kong, BOCI recorded a steady increase in market share.

Fixed income business

BOCI's Fixed Income team is active in arranging syndicated lending and debt capital markets issues. Although Hong Kong's syndicated loan market remained weak in 2002 and there was fierce competition, BOCI remained active, arranging seven syndicated loans for companies, including Cheung Kong Infrastructure and Hang Lung Properties, raising total capital of HK\$34.8 billion. In addition, BOCI expanded its overseas loan business, participating in Hutchison's 3G financing in Italy, and paving the way for further development of this market. Euromoney recently awarded this deal Project Finance Deal of the Year-Europe-Telecoms.

BOCI has also been steadily developing its debt capital markets business and has successfully underwritten several issues in the mainland market. During 2002, BOCI participated in the underwriting of renminbi bond issues for the Shenhua Group, Guangdong Nuclear Group and Jiangsu Communications.

Asset management business

In Hong Kong, BOCI established an asset management joint venture on 1 January 1999 with one of the world's leading financial services companies, the UK's Prudential. BOCI Prudential Asset Management Limited (BOCI Prudential) aims to become a leading player in the Mandatory Provident Fund (MPF) market in Hong Kong and in the unit trust industry. At the end of 2002, total assets managed by BOCI Prudential amounted to HK\$15.1 billion, an increase of 66.4% over the previous year.

BOCI Prudential has offered unit trust products and guaranteed funds in Hong Kong since 2001. By the end of 2002, the company had launched six funds, with accumulated sales of HK\$3.4 billion, accounting for 14% of the Hong Kong guaranteed fund market.

BOCI Prudential had over 310,000 registered members in its MPF plans at the end of 2002, with its market share increasing by 4 percentage points over the year. Assets under management in MPF schemes totalled HK\$4.7 billion. In terms of investment performance, the Mercer MPF Index ranked BOCI Prudential third across the industry.

Mainland business

During 2002, BOCI established BOC International (China) Limited, its mainland subsidiary, which started operations in Shanghai on 29 March. BOC International (China) has an A-share comprehensive securities dealer's licence, which enables it to participate in the primary and secondary A-share markets.

During the year, BOC International (China) participated in several significant projects. In investment banking, the company acted as advisor for China Unicom's A-share listing and as independent financial advisor for China Unicom's RMB4.8 billion purchase of mobile telecommunications businesses in nine provinces.

BOC International (China) also acted as lead underwriter for three corporate bond issues. As a first step in building a nationwide

network, the retail brokerage operation acquired 20 securities outlets previously owned by Gang Au Securities. BOC International (China)'s research has been well received by fund managers, with several reports being nominated the best of the year.

Outlook for 2003

In the wake of China's WTO accession, its capital markets will gradually open further, creating increasing investment banking opportunities. BOCI will leverage the group's substantial customer base, products and worldwide network to expand its business in the domestic and overseas markets. BOCI is working to build a strong brand and provide a full range of services to become a world-class investment bank with sustainable competitive strength.

Insurance business

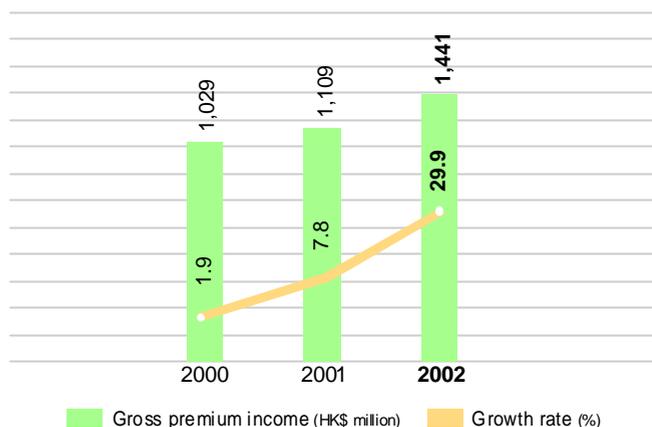
- Gross non-life premiums grew by almost 30% to HK\$1.4 billion.
- For the seventh successive year, BOCG Insurance was the largest general insurer in Hong Kong.

Bank of China Group Insurance Company Ltd. (BOCG Insurance) is based in Hong Kong. Through its network of seven branches and three subsidiaries, including BOC Group Life Assurance Company Ltd. (BOCG Life), it provides corporate and personal customers in Hong Kong and the Chinese mainland with a wide range of insurance services.

BOCG Insurance's strategy is to grow its business by developing niche markets while continuing to excel in its established markets. It has built a strong reputation in the insurance market through its dedication to customer service, its ability to access Bank of China's distribution channels and operational network, and its innovative approach to developing its operations and products.

Despite the adverse impact of sluggish economic growth worldwide and the effects on the insurance industry of the

BOCG Insurance gross premium income



events of 11 September 2001, BOCG Insurance was able to grow gross premium income by almost 30% to HK\$1.4 billion, the highest in the company's history. For the seventh successive year, BOCG Insurance was the largest general insurer by net premium income in Hong Kong. This excellent result was achieved through a strategy of expansion. The main product areas contributing to growth were insuring major construction and infrastructure projects, personal insurance and packaged retail insurance plans.

Growth was achieved largely from sales through non-bank agencies and brokers, which rose by an impressive 47.6% to HK\$800 million. Sales through banks were also encouraging, achieving a 12.9% increase to HK\$600 million.

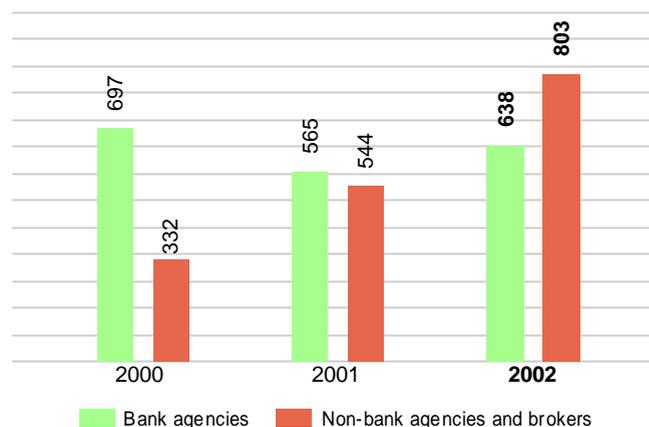
2002 saw the first full year of operations for BOCG Insurance's Shenzhen branch, which opened on 17 December 2001. The branch represents a crucial step in entering the mainland insurance market. Throughout the year, the Shenzhen branch made steady progress in all insurance lines, including property, contractors all-risk, public liability and marine insurance.

Established in February 1998, BOCG Life provides a full range of life assurance products, including traditional and unit-linked products. Premium income in 2002 was HK\$1.1 billion.

Outlook for 2003

Through its customer-focused, market-oriented and innovative approach, BOCG Insurance is well placed to leverage the group's overall strength and the opportunities offered by the Hong Kong and Chinese mainland markets to continue its successful

Breakdown of sales by distribution channels (HK\$ million)



development.

Operational platform

Information technology

Information technology is key to develop the bank's business, support the introduction of new products and services, and improve risk management. In line with its strategy, the bank has continued to develop and centralise its IT platform and has accelerated the development and upgrade of application systems. This has contributed greatly to improvements in operations structure and business development during the year.

A key element of the bank's IT strategy is the centralisation and integration of systems. Integration of the previously decentralised IT structure was begun in 2000, with the aim of developing a structure based on five domestic and three overseas information centres. By the end of 2002, the number of centres had been reduced to 11 from 1,040 in 2000. The five domestic information centres, in North, East, Northwest, Southwest and South China, have been established and will provide IT support for all domestic operations from 2003. Meanwhile, construction of the three overseas information centres has progressed smoothly. During the year, the American, European and Asia-Pacific information centres

have started to collect data from their local branches and are now processing information for the bank's overseas operations centrally. The establishment of these information centres has helped to improve resource sharing and achieve economies of scale, providing a platform for the bank to offer uniform financial services more efficiently.

Human resources

Developing and retaining our staff is critical to the success of the bank. Our overall policy is to provide staff with opportunities to develop their long-term careers in a caring and supportive environment, and to offer a fair and reasonable level of compensation. We are committed to providing quality training to enable staff to fulfil their potential.

The bank's human resources policies focus on developing an effective incentive and accountability system, and improving learning and development support for our staff. This includes providing staff with detailed job descriptions and responsibilities, implementing performance-based reward programmes and enhancing our training. All of these initiatives will help to create a competitive and dynamic environment in which the most talented people can thrive for the mutual benefit of themselves and the bank.

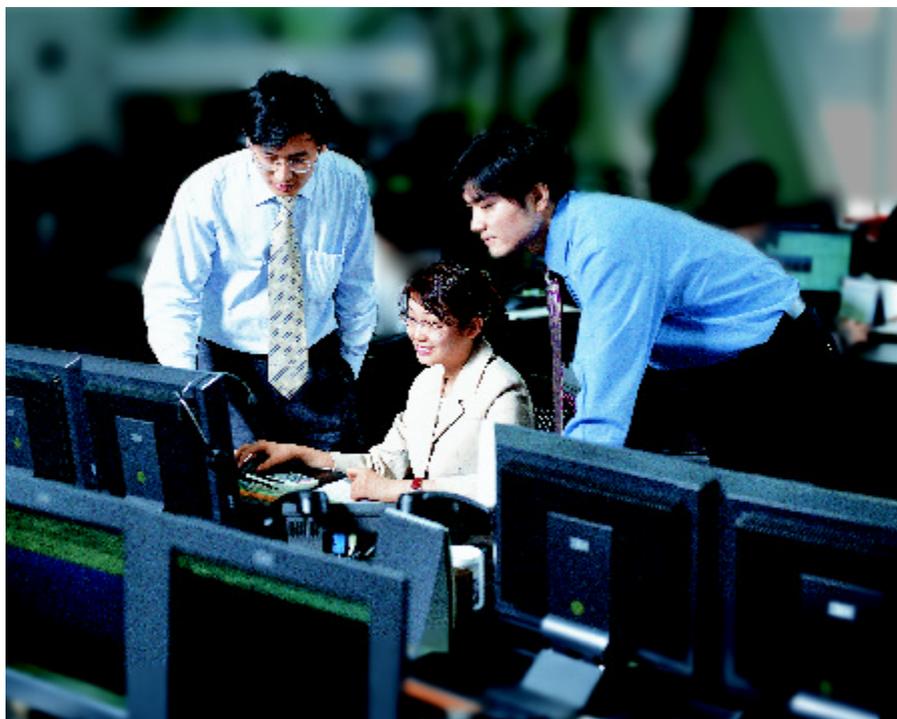
Incentive system

During 2002, the bank continued its practice of providing staff in the Head Office and larger domestic branches with a formal evaluation of their performance every six months. Staff in overseas operations receive such assessments annually. Standardised procedures and policies for the appraisals have been developed and these are set out in a manual with detailed guidelines. As part of the appraisal process, the roles and responsibilities of all departments have been formalised and targets and objectives have been set which form the basis of an individual's performance evaluation. Each staff member also has a detailed job description.

The bank continues to base individual's remuneration, career

progression, and training on their appraisal, which includes their department's achievement of objectives and targets. In addition, we have introduced a new scheme to reward our best performing staff with free travel tours. Overall, the performance evaluation process has proved to be a great success in harnessing the enthusiasm of our staff, and in encouraging creativity and initiative.

Recruitment and executive development



programmes

During 2002, the bank focused on recruiting the highest quality staff and on ensuring candidates are selected for promotions and job placements on merit. The bank also continued its highly successful executive development programme to identify and develop staff for future senior management positions. Staff who join this programme will have the opportunity to widen their experience through an overseas assignment.

During the year over 6,000 staff applied to join the executive development programme. Around 100 of those selected are now working in our overseas operations and about 60 have been appointed to middle-level management positions in branches in Western China. Of the 52 staff appointed in 2002 to senior positions in our larger domestic branches, 31 had previously been through the executive development programme.

All job positions within the bank are now widely advertised, offering enhanced career opportunities for all our staff. Candidates are selected on merit through an open and transparent process.

Performance-based rewards system

In 2002, the bank made significant progress in the reform of its remuneration system. This has been led by the larger domestic branches, which implemented the first stage of the reforms during 2002.

Staff remuneration is now determined based on the performance evaluation. The role, responsibility and experience required in each job, as well as local cost factors are also taken into account. In some larger branches, front office staff in many key business segments have been allocated responsibility as Account Managers for developing business with their customers. Their pay is now directly linked to specific business targets. In addition, remuneration for senior management is now based on their business achievements. These developments are designed to ensure our pay and benefits structures are appropriate for a modern commercial bank.

The bank has established a Remuneration Committee to ensure a common and transparent approach to setting remuneration levels. This committee is responsible for proposing remuneration and benefits policies which are in line with the market and aligned with the bank's strategic objectives.

The bank continued to improve the quality of its workforce. Staff numbers have been reduced to lower costs but we have continued to recruit talented people with the skills we need for the future.

To achieve these aims, the bank reduced headcount by 9,122 in 2002. Over the last three years, the bank has cut headcount by 22,615 in total, and has recruited 6,950 university graduates.

Staff training

In 2002, the bank made extensive use of its internal training resources and external specialist courses. To ensure full value is realised from the significant investment in training, candidates for each course are selected based on their specific career development needs and are required to take follow-up examinations to assess their performance. The increased level of training provided has helped staff to broaden their horizons, stimulated their own ideas and increased their value to the business.

During 2002, the bank ran 4,001 domestic training courses, involving 185,020 employees. Foreign experts presented 13 training courses and 36 overseas training programmes were held with the number of attendees exceeding 1,400. Overall, 99.9% of our staff in the larger domestic branches attended training programmes, and 99.7% of the staff in the bank received at least 40 hours of training during the year.

An Executive MBA programme jointly developed by Bank of China, the Shanghai University of Finance and Economics, and City University, London is being run for the bank. Currently, 29 of our own staff and 10 executives from other organisations are enrolled on this programme.



Over the past three years, Bank of China has developed a sound corporate governance framework, drawing on the experience of leading international enterprises and adapting this to the bank's circumstances.

Corporate Governance

Bank of China recognises the importance of corporate governance in protecting the interests of its stakeholders and achieving its business goals. Over the past three years, the bank has developed a sound corporate governance framework, drawing on the experience of leading international enterprises and adapting this to the bank's circumstances.

The bank's corporate governance process is based upon six cornerstones:

- an accountable and effective Board of Directors;
- a clear strategy for business development;
- sound decision-making mechanisms;
- prudent accounting principles and increased information disclosure;
- strategically linked performance evaluation; and
- human resources development.

In 2002, significant progress was made in each of the six areas.

Board of Directors

The bank's aim is to establish a Board of Directors with the authority and responsibility to direct the operations of the bank in accordance with the best practices of corporate governance.

During 2002, the bank stepped up its efforts to improve the structure of its Board of Directors to meet its own corporate governance goals and the government's request that all state-owned commercial banks review their board structures. As a result, the Board was restructured during the year and now consists of 12 members. During the year, the bank also proposed a number of revisions to its Articles of Association, including changes that will provide better definition of the Board's responsibilities. The changes will become effective following their approval by government authorities.

The Board has established a number of committees to assist in particular aspects of the management of the bank. The committees, and an outline of their roles, are set out below.

Asset-liability Management and Budget Committee

The committee reviews asset and liability management policies and plans, and the performance of the bank and the relevant departments. It also reviews financial management policies, and the annual, medium and long-term financial budgets and supervises their implementation.

Remuneration Committee The committee's function is to research and develop remuneration and benefits policies, and to review the annual remuneration budget.

Audit Committee The committee reviews the bank's internal audit policies and procedures, annual audit plans, the qualification of senior auditors, and the bank's compliance with applicable regulations.

Risk Management Committee The committee is responsible for formulating the bank's risk management and internal control policies and procedures, covering credit and other risks. It is also responsible for supervising the day-to-day management of risk and operation of internal controls.

The Risk Management Committee is supported by a number of other committees.

Risk Review Committees operating at head office and main branch level, review all significant lending proposals and make recommendations to those responsible for loan approval.

Procurement Review Committee formulates procurement policies and reviews and approves significant procurement projects.

Asset Disposal Committee formulates policies and plans for the disposal of foreclosed or other assets of the bank and performs a follow-up evaluation of disposal projects.

In addition, the bank has established the Anti-money Laundering Committee in Head Office, which is responsible for ensuring compliance with relevant government laws and regulations, drawing up internal anti-money laundering procedures, supervising the implementation of the procedures and co-ordinating with relevant international organisations.

Business development strategy

A clear development strategy is vital to Bank of China's development into a world-class bank. In 2002, the bank continued to realise the benefits of its strategy of creating an integrated corporate and retail banking business based on a sound IT platform. We realised our strategic target of doubling the previous year's growth in retail business. We also developed many new products for corporate banking and continued the process of aligning commercial banking, investment banking and insurance businesses.

Decision-making system

The bank aims to establish decision support systems to allow management to make strategic, credit, procurement, disposal and other decisions based on accurate information and with appropriate oversight and independence. In 2002, the bank continued to implement its decision support system based on thorough due diligence, risk assessment and direct accountability, coupled with follow-up evaluations. Central to this decision-making system are the independence and authority of the Risk Review, Asset Disposal and Procurement Review committees.

Accounting principles and information disclosure

The bank's aim is to produce financial statements in accordance with prudent and generally accepted accounting principles and to enhance the transparency of its business by providing timely and accurate information.

The bank's annual report for the year ended 31 december 2002 has been prepared in accordance with the requirements of the People's Bank of China. For 2002, the bank has enhanced the information provided in the financial statements, including disclosure of related-party transactions and segmental reporting. In the future, the bank will continue to comply with regulatory requirements and raise the level of information disclosure to the standard of world-class international banks.

Accountability and incentives

The bank's aim is to define responsibilities and accountability clearly, by setting performance targets for each employee, department and branch and rewarding strong performers.

The bank has implemented systems of performance evaluation and accountability for branches, departments and staff at all levels, and this was applied throughout 2002 across the board. Staff training and allocation, as well as rewards and disciplinary procedures have been closely linked to the outcome of these evaluations .

Human resources

The bank aims to establish a human resources management system to train and develop an innovative and highly motivated professional team capable of operating in the global marketplace.

In 2002, the bank continued to apply its strategy for retaining quality staff through offering attractive careers, training, fostering loyalty and team spirit and appropriate remuneration. Staff training was strengthened, with all staff being provided with a minimum of 40 hours training per year. In addition, the bank has introduced professional training programmes with a number of leading universities.

The Board of Supervisors

The Board of Supervisors was appointed by the State Council of the People's Republic of China to represent the State and ensure the bank is making effective use of the state-owned assets under its control. The major functions of the Board of Supervisors are to:

- ensure that the bank has implemented all relevant laws and regulations;
- monitor the bank's financial position by reviewing its financial statements, accounts, and other documents related to operations and management, in order to certify its financial reports;
- examine the bank's business performance, including the creation of shareholder value, distribution policies and funding; and
- review the performance of the bank's senior executives, and to make proposals to the State Council on their appointment.

In 2002, the Board of Supervisors focused on reviewing the bank's financial and business operations. The Board was pleased to note that the bank had worked hard to foster good corporate governance and to improve decision-making and operational processes, which has improved both its profitability and asset quality.



Bank of China has established an integrated global risk management system.

Risk Management

The bank's objective is to balance risk with reward through risk identification, measurement, monitoring and control. The bank has established an integrated global risk management system which reflects the principle of segregation of duties between risk management and business operational roles. The Risk Management Committee and the Asset-liability Management and Budget Committee have been established under the direction of the Board of Directors and top management. They are responsible for developing the bank's credit risk, market risk, liquidity management, and internal control policies, and for reviewing operations to ensure that the policies are complied with.

Credit risk

Credit risk refers to the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the bank. It arises principally from lending, trade finance and treasury activities.

focused on improving asset quality, enhancing risk management policies and systems to reflect changes in markets and products, and on enhancing the effectiveness of the risk management procedures.

Corporate and institutional banking

The bank has established a sound system of credit risk management over its corporate and institutional banking businesses, based on the principles of centralised credit management, delegated credit authorities, sound decision-making and effective monitoring.

The bank has developed systems to allow it to measure and control its total credit exposure to its corporate and institutional customers. In 2002, the bank improved its management of global exposures for major multinationals and included more companies in this global credit management system. In addition, the bank established credit limits for 600 correspondent banks and incorporated its treasury business into this limit structure.

Internal customer credit ratings are a vital component of the bank's credit management system. The bank has developed and implemented a system of 10 rating classes (AAA-D) that are based on an analysis of the customer's repayment ability, profitability, operational and managerial skills, performance record, and business potential. Customer credit ratings are

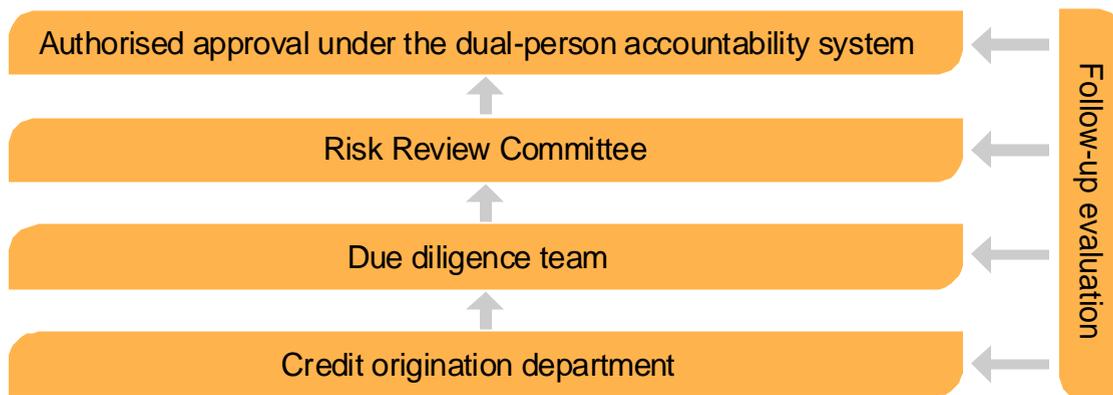


reviewed regularly. The bank uses rating results in selecting customers, in loan structuring and pricing, and in managing its portfolio. The bank seeks constantly to improve the proportion of its lending portfolio with high credit ratings. At the end of the year, loans granted to class A and B customers accounted for 66.5% of total loans of rated customers, an increase of 4.4 percentage points over the previous year.

The bank operates a system of delegated authorities for credit approval. Head Office determines and adjusts the authority assigned to each department and branch according to its asset quality, the seniority and experience of management, and the control environment, as well as the risk profile of its portfolio as indicated by the internal ratings of its customers and collateral held. Loans above the delegated authority are required to be submitted to the main branch or to Head Office for approval.

The bank has established a sound credit decision-making system, which includes credit origination, due diligence investigation, risk review, approval and follow-up evaluation.

Flow chart of credit decision-making



The bank made a number of improvements to the credit approval system in the year. The due diligence process was enhanced through the introduction of industry sector risk management models, the closer involvement of industry experts and further training to improve the skills of the due diligence teams. The risk review process was strengthened by involving external experts in the evaluation of credit risk and through customer site visits by Risk Review Committee members.

The Risk Review Committees form a cornerstone of the bank's credit approval system. These committees are in place at Head Office and main branches and review all significant lending proposals and make recommendations to those responsible for loan approval. In 2002, the Head Office Risk Review Committee reviewed 644 projects with a value of RMB976.2 billion.

The bank has also improved its follow-up evaluation process. The Risk Management Department has carried out regular reviews of the credit approval process, focusing on assessing the effectiveness of due diligence teams and the Risk Review Committee. The Risk Management Department has also monitored the risk profile of loans reported to Head Office by the larger branches subsequent to approval.

The bank also applies its strict credit risk management standards to its investments in debt securities. In the domestic market, the bank has concentrated its investments in treasury bonds and bonds issued by the policy banks. In the international market, we have only invested in bonds with a credit rating of A or higher. Government and government agency debt securities comprise

a large proportion of our non-domestic investment portfolio.

Retail banking

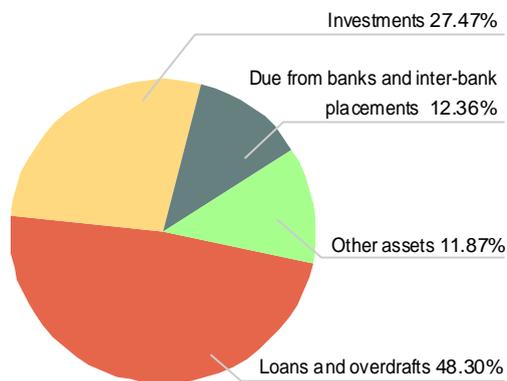
In response to the rapid growth in retail lending, the bank has continued to improve its risk management of these products. Head Office authorises main branches to control the credit review and approval process for retail lending, within the bank's overall policies. Main branches then delegate authority to their retail banking departments and other branches. Loans exceeding this authority limit are required to be submitted to main branches for approval. The Retail Banking Departments have implemented the bank's overall principles of separation of credit origination and approval, due diligence and follow-up evaluations. The Risk Management Departments are responsible for setting targets, monitoring the retail credit approval and monitoring process and internal controls, and regularly carrying out follow-up evaluations.

Portfolio structure

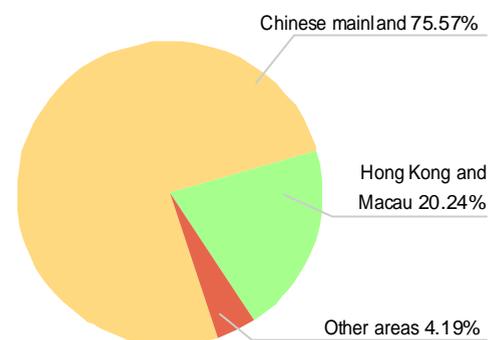
In accordance with the bank's policy of credit risk diversification, the bank has taken steps to adjust its asset structure to establish an appropriate portfolio mix, including a balance between corporate lending and other investments.

The bank has also been proactive in managing concentration risk in terms of counterparties, geographical regions and products.

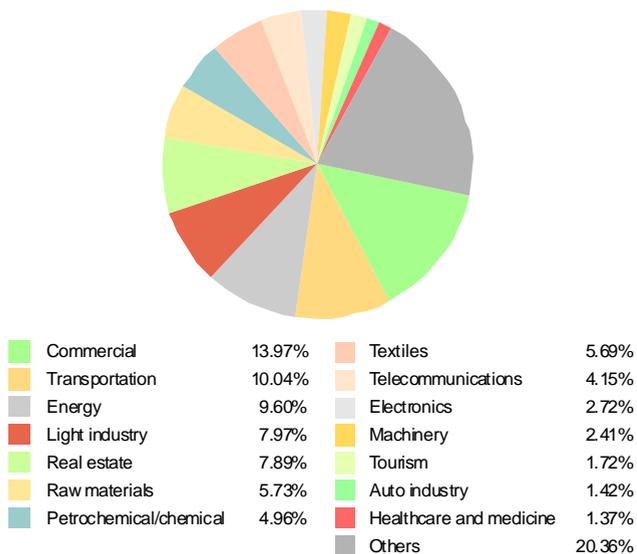
Portfolio structure by asset type



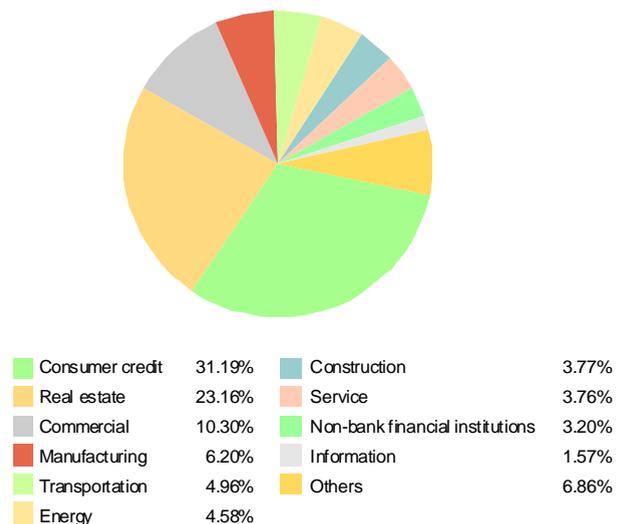
Portfolio structure by geographical region



Domestic loans by industry sector



Overseas loans by industry sector



At the end of 2002, loans granted by the domestic operations to the commercial, transportation, energy and light industry sectors accounted for a significant proportion of outstanding loans. In 2002, the bank increased its lending to the promising transportation and real estate sectors.

Credit exposures of the overseas operations at the year end were mainly in the consumer credit, real estate, commercial and manufacturing sectors. Household mortgage loans accounted for 87% of consumer loans.

Asset quality

In reporting asset quality, the bank classifies its loans into the five categories required by the People's Bank of China. This asset classification currently covers corporate loans, retail loans, bills financing, trade finance, credit cards, and overdrafts and will be extended to include inter-bank

placements and bond investments in 2003. Asset classifications are regularly reviewed. The bank will extend its classification system to twelve categories in 2003, initially to be run in parallel with the existing five-category system.



Asset quality of Bank of China Group

RMB million

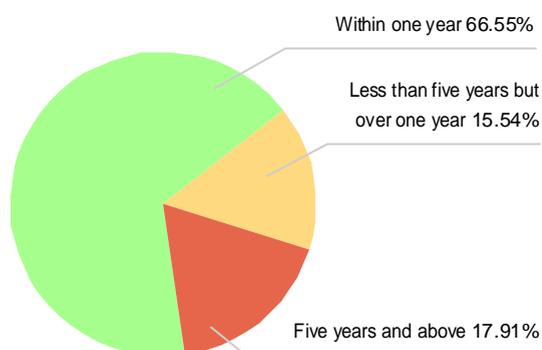
	31 December 2002		31 December 2001		31 December 2000	
	Balance	(%)	Balance	(%)	Balance	(%)
Pass	1,155,610	63.63	893,546	56.36	821,511	54.56
Special-mention	252,048	13.88	255,755	16.13	274,692	18.24
Non-performing	408,531	22.49	436,020	27.51	409,604	27.20
Substandard	65,679	3.61	108,901	6.87	142,278	9.45
Doubtful	155,443	8.56	234,415	14.79	206,260	13.70
Loss	187,409	10.32	92,704	5.85	61,066	4.05
Total	1,816,189	100	1,585,321	100	1,505,807	100

Note: On-balance sheet trade finance receivables have only been included in the above analysis from 2001.

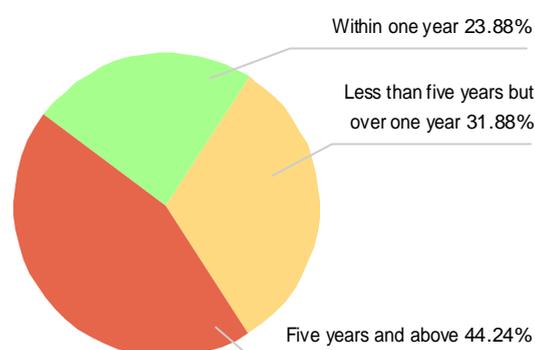
At the end of 2002, the non-performing assets of the Group were equivalent to RMB408.5 billion. The non-performing loan ratio was 22.5%, down 5.0 percentage points from the previous year.

At the end of 2002, the loan interest collection ratio reached 79.39% for the domestic operations, an improvement of 10.6 percentage points over the year.

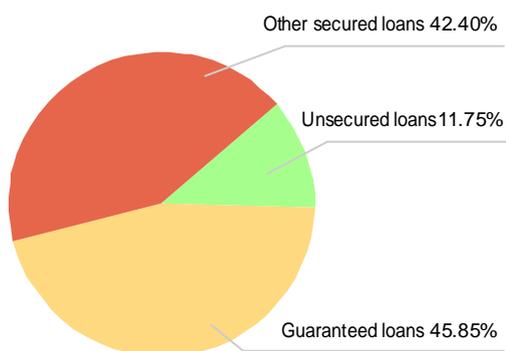
Domestic loans by maturity



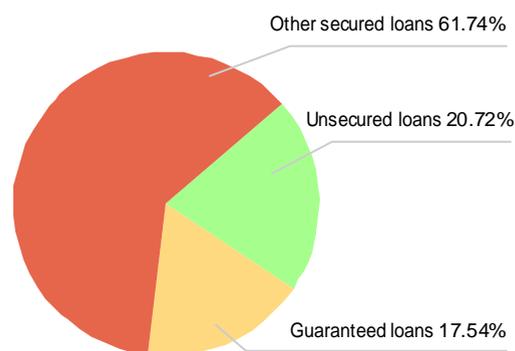
Overseas loans by maturity



Domestic loans by security



Overseas loans by security



Asset recovery and resolution efforts by the bank in 2002 yielded encouraging results. The bank resolved non-performing assets through cash collection, restructuring, enforcement of security, and bad debt write-offs. We resolved domestic non-performing assets of RMB59.6 billion, of which RMB34.7 billion was recovered in cash, RMB13.6 billion was written off and RMB6.6 billion resulted in other assets being foreclosed. The overseas operations recovered US\$300 million in cash, and wrote off

US\$400 million of bad debts.

In 2002, the bank developed an online information system for foreclosed assets available for sale. The bank has promoted auctions and bidding processes to ensure the process of disposal is open, fair and equitable. Domestic operations disposed of RMB4.7 billion of foreclosed assets, demonstrating a significant reduction in the disposal time.

Market risk

Market risk refers to the risk of losses caused by movements in interest rates, exchange rates, or stock or commodity prices. In 2002, the bank enhanced its market risk management system and is now able to monitor market risk arising from its global trading and treasury business on a real-time basis.

Interest rate risk

In managing renminbi interest rate risk, the bank closely monitors the direction of renminbi rates, adjusting the bank's asset and liability structure and matching the maturities of contracts to minimise risk.

The bank also closely follows foreign currency interest rate developments and is able to react quickly to adjust interest rates on deposits and loans in foreign currencies. The bank also uses financial instruments to control and mitigate foreign currency interest rate risk.

The bank's overseas operations, which have significant foreign currency loans and deposits, take active measures to manage their risks. They track the changes in market rates and analyse the interest rate sensitivity of their portfolios. They actively manage the asset-liability structure and use various financial instruments to control and hedge interest rate risk.

Exchange rate risk

The bank's principle in controlling exchange rate risk is to match assets and liabilities in each currency to maintain exchange rate risk at an acceptable level. The bank has established risk limits in line with its risk appetite and in accordance with the supervisory requirements and specific local circumstances.

The bank exercises strict control over its foreign currency transactions. Authority limits are set both for transactions on behalf of customers and on the bank's own account.

Liquidity risk

Liquidity risk refers to the risk of being unable to fund increases in assets and meet obligations as they fall due at a reasonable price.

The bank's aim in liquidity management is to ensure the availability of adequate funding at all times, so as to meet the needs for repayments of deposits and other liabilities as they fall due, as well as being able to meet obligations for loan drawdown and to take advantage of new lending opportunities.

The bank enhanced its liquidity management system in 2002 and issued a new guideline, Bank of China Guideline for Liquidity



Management, applicable to all domestic and overseas operations. The guideline streamlines six major aspects of the liquidity management framework: policy, organisation, regulatory framework, risk identification, early-warning mechanism and contingency planning.

The bank focuses on attracting renminbi deposits to ensure that

Renminbi assets and liabilities of domestic operations

RMB billion

Assets	Due from central banks	Loans and overdrafts	Securities	Other assets
End of 2002	142.1	981.1	289.4	21.1
End of 2001	115.5	850.5	273.6	17.6
Liabilities	Due to banks and inter-bank placements	Customer deposits	Accounts payable	Other liabilities
End of 2002	145.8	1,424.2	39.8	4.1
End of 2001	75.7	1,187.1	30.5	119.1

core deposits constitute the major source of its long-term renminbi funding. The bank is also active in the inter-bank market to generate funding when required to supplement deposits.

2002 saw a rapid increase in the bank's renminbi deposits. The bank also increased its investments in highly liquid debt securities to improve the overall liquidity of its portfolio.

The bank manages foreign currency liquidity centrally. Foreign currency positions are consolidated on a daily basis and Head Office holds sufficient liquid assets to match the volume and

currency structure of payments in foreign currencies. These assets mainly comprise inter-bank lending and government bonds.

The bank experienced steady growth in foreign currency deposits and loans in 2002. The bank is a net lender of foreign currency funds in the capital markets, thus maintaining good liquidity and acceptable profitability.

Foreign currency assets and liabilities of domestic operations

US\$ billion

Assets	Due from central banks	Loans and overdrafts	Securities	Other assets
End of 2002	1.4	39.9	48.3	4.3
End of 2001	1.3	41.8	39.0	14.9
Liabilities	Due to central banks	Due to banks and inter-bank placements	Customer deposits	Other liabilities
End of 2002	13.3	18.9	69.7	0.9
End of 2001	0.8	28.9	63.8	0.6

Liquidity indicators of domestic operations at the end of 2002

Loans/deposits (%)		Liquidity ratio (%)	
RMB	Foreign currency	RMB	Foreign currency
72.3	45.8	30.1	181.0

Notes:

- Liquidity ratio=liquid assets/liquid liabilities
- Liquid assets include cash, deposits placed with PBOC in excess of the statutory requirement, due from banks and inter-bank placements, bills discounted and purchased, other accounts receivable, loans (excluding overdue loans) (provided such items have a maturity of less than one month), together with securities, bonds and other assets that can be readily converted into cash at any moment on a secondary market.
- Liquid liabilities include demand deposits, amounts due to banks and inter-bank placements, time deposits, bonds and bills issued, accounts payable, due to central banks and other liabilities (provided such items have a maturity of less than one month).

Operational risk

Operational risk is the risk of losses arising through fraud, unauthorised activities, error, omission, inefficiency, systems failure or from external events. It is inherent to every business organisation and covers a wide spectrum of issues.

In 2002, the bank continued to improve its internal controls, through the development of operational procedures, the review of the implementation of policies by branches, and by upgrading processing systems and enhancing the awareness of IT security. These measures played a vital part in promoting strong business development, improving operational and management controls, controlling financial risks and boosting operating results.

In 2002, the bank drew up anti-money laundering procedures and held training courses to promote compliance with internal controls and legal requirements. The overseas operations have ensured that their policies, manuals and procedures are sufficient to meet local laws and the relevant regulations of local supervisory authorities.

Audit

Audit is an important link in the bank's internal control system. The bank's Audit Department examines the efficiency of internal control procedures, checks that business units observe regulations and operational guidelines, and makes recommendations to senior management on operating and other management issues.

The bank has upgraded the quality and efficiency of its Audit Department, and during the year, the department carried out 10,112 inspections, including 4,206 or 43.8% of the lower level branches. This figure included 72% of tier-two branches, 63% of sub-branches and 38% of the other business offices.

In addition, following the establishment of Bank of China Internal Audit Centre, North & South America in August 2001, Bank of China Internal Audit Centre, Europe & Africa, Bank of China Internal Audit Centre, Asia-Pacific Region

and Bank of China Internal Audit Department, Japan and Korea were established in 2002. These audit centres are independent from the local branches or subsidiaries and their audit coverage has been enhanced. Throughout the year, the overseas audit centres undertook regular and special audits over the 18 overseas branches and submitted 112 independent audit reports.

Bank of China in the Community

During the year the bank actively supported charitable and community initiatives in the areas of culture, education, poverty alleviation, disaster relief, healthcare and environmental protection.

Since 1994, Bank of China has been helping to relieve poverty and improve education standards in Longyan in Fujian Province.

In 2002, the bank donated RMB2 million to Project Hope, a well-established programme to provide education to children in less developed areas. As a result, five schools have been built in Shaanxi and Xinjiang provinces. BOCHK has also contributed HK\$5.2 million to Project Hope and other mainland education initiatives since 1995. In 2002, the bank contributed funds for natural disaster relief in a number of provinces, including Shaanxi and Hunan and provided aid to poor areas in Xinjiang and Tibet.

To raise funds for children in poor areas, the bank has set up collection boxes in over 2,000 branches in conjunction with the China Children and Teenagers' Fund. Bank of China's outstanding support for children's charities was acknowledged by the China Charity Federation and the China Children and Teenagers' Fund in July 2002 when it received the Star of Corporate Charities award.

In the field of culture and art, Bank of China continued to sponsor the National Ballet of China. In addition, we sponsored a series of cultural activities to foster communication between Chinese at home and abroad.

Our overseas branches also recognise their obligation to support the communities in which they operate. During the year they were active in local charity and social welfare activities. In

Hong Kong, the bank has sponsored an award of the Hong Kong Green School for the past three years to promote environmental awareness amongst schoolchildren. For the past five years the bank has been a Diamond Sponsor of the Po Leung Kuk, a Hong Kong charity which protects the young and innocent. In 2002, Bank of China participated in the Ten Yuan Subscription Programme which raises funds for various charities.

In education, Bank of China continues to provide scholarships at ten universities in Hong Kong. By the end of 2002, BOCHK had granted scholarships to 467 students at a total cost of HK\$5 million.

In the sporting arena, BOCHK has, for the fourth straight year, sponsored the Hong Kong Badminton Association's badminton development programme. The bank has contributed a total of HK\$3.5 million to this plan since 1999.

In healthcare, Bank of China Medical Centre has been established in Yan Chai Hospital and the bank has donated a mobile blood-donation centre. The bank also raised HK\$4 million during the year for the Health Express programme, which provides free treatment to cataract sufferers on the Chinese mainland.



During the year Bank of China actively supported charitable and community initiatives in the areas of culture, education, poverty alleviation, disaster relief, healthcare and environmental protection.

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The reader is advised that this report has been prepared originally in Chinese. In the case of a conflict between this report and the original Chinese version or difference in interpretation between the versions of the report, the Chinese version shall prevail.

Auditors' report

Shenpengsuoshenzi [2003]311

To: Bank of China

We have audited the balance sheets of Bank of China ("the bank") as at 31 December 2002 and the related income statements for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards for Certified Public Accountants of the People's Republic of China ("the P.R.C."). Our audit included such tests of accounting records and such other auditing procedures we considered necessary and appropriate to the bank's circumstances.

In our opinion, the financial statements referred to above comply with the Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the P.R.C. and the People's Bank of China (Note and Note), and present fairly, in all material respects, the financial position of the bank as at 31 December 2002, and the results of its operations for the year then ended, and the accounting policies have been consistently applied.

Shenzhen Pengcheng Certified Public Accountants

Shenzhen, China

15 March, 2003



Certified Public Accountants
registered in the People's
Republic of China

Luying



Certified Public Accountants
registered in the People's
Republic of China

Dinghaifang



Balance sheet

RMB million

At 31 December	Note IV	Bank of China Group		Bank of China	
		2002	2001	2002	2001
Assets					
Cash	1	21,523	21,615	18,508	17,962
Due from central banks	2	192,984	133,662	188,810	129,456
Government certificates of indebtedness for bank notes issued	3	31,966	28,071	1,078	1,005
Due from banks and inter-bank placements	4	444,337	566,223	322,561	330,718
Investments	5	987,263	841,645	830,103	730,273
Accounts receivable	6	54,446	74,172	43,626	62,445
Discounted bills and trade finance related receivables	7	81,735	44,832	65,864	28,628
Loans and overdrafts	8	1,735,810	1,586,937	1,398,939	1,246,187
Less: provisions	9	90,256	73,237	68,054	50,940
Fixed assets, net	10	67,577	72,075	45,461	51,152
Construction in progress		7,659	7,526	7,659	7,467
Other assets	11	58,864	58,098	51,152	42,157
Total assets		3,593,908	3,361,619	2,905,707	2,596,510

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

RMB million

At 31 December	Note/V	Bank of China Group		Bank of China	
		2002	2001	2002	2001
Liabilities					
Due to central banks	12	111,164	98,630	111,164	98,630
Bank notes in circulation	13	32,031	28,124	1,143	1,057
Due to banks and inter-bank placements	14	329,019	401,738	362,606	376,815
Customer deposits	15	2,755,271	2,477,143	2,088,020	1,798,864
Remittances	16	35,913	29,198	34,944	28,216
Accounts payable	17	69,148	78,723	70,316	60,230
Bonds issued		4,507	6,164	4,507	6,164
Other liabilities	18	20,396	20,808	13,347	8,114
Total liabilities		3,357,449	3,140,528	2,686,047	2,378,090
Minority interests		16,799	2,671	-	-
Owner's equity					
Paid-in capital		142,100	142,100	142,100	142,100
Reserves		62,248	62,556	62,248	62,556
Undistributed profit		10,565	9,461	10,565	9,461
Translation differences		4,747	4,303	4,747	4,303
Total owner's equity	19	219,660	218,420	219,660	218,420
Total liabilities and owner's equity		3,593,908	3,361,619	2,905,707	2,596,510

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

Income statement

RMB million

Year ended 31 December	NoteIV	Bank of China Group		Bank of China	
		2002	2001	2002	2001
Interest income	20	102,156	133,195	78,598	95,519
Interest expense	20	48,065	82,265	39,189	61,307
Net interest income	20	54,091	50,930	39,409	34,212
Other operating income, net	21	22,244	14,709	20,291	16,464
Business tax and surcharges		3,388	4,643	3,345	3,916
Operating expenses	22	30,267	27,651	23,326	20,828
Operating profit before provisions		42,680	33,345	33,029	25,932
Provisions for bad and doubtful debts		26,711	23,194	19,834	16,963
Operating profit		15,969	10,151	13,195	8,969
Non-operating income, net	23	-2,178	763	-2,198	691
Pre-tax profit		13,791	10,914	10,997	9,660
Income tax		2,867	2,761	1,552	1,752
Minority interests		1,479	245	-	-
Net profit		9,445	7,908	9,445	7,908

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

Statement of changes in owner's equity

		RMB million	
2002	NotelV	Bank of China Group	Bank of China
Paid-in capital			
Balance at 1 January 2002		142,100	142,100
New shares issued		-	-
Shares cancelled		-	-
Balance at 31 December 2002		142,100	142,100
Reserves			
Balance at 1 January 2002		62,556	62,556
Additions		327	327
Deductions		635	635
Balance at 31 December 2002		62,248	62,248
Undistributed profit			
	24		
Balance at 1 January 2002		9,461	9,461
Additions		10,604	10,604
Deductions		9,500	9,500
Balance at 31 December 2002		10,565	10,565
Translation differences			
Balance at 1 January 2002		4,303	4,303
Additions		444	444
Balance at 31 December 2002		4,747	4,747

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

Notes to the financial statements

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

I. General information

Bank of China ("the bank") is a wholly state-owned commercial bank founded on 5 February 1912. From its formation up until 1949, the bank assumed the roles of a central bank, then transformed to a foreign exchange bank and later a commercial bank specialising in trade finance. Following the founding of the People's Republic of China ("the P.R.C.") in 1949, the bank was designated as a specialised foreign exchange bank. Since 1994, the bank has changed its role to become a state-owned commercial bank.

As at 31 December 2002, the bank has 12,090 domestic branches and offices and 581 overseas operations including in Hong Kong and Macau.

The bank is licensed as a financial institution by the People's Bank of China (the "PBOC") [No. B10311000001] and is registered as a Business Enterprise by the State Administration of Industry and Commerce of the P.R.C. [No.1000001000134(2-1)].

The activities of the bank and its subsidiaries ("the group") include taking renminbi deposits; granting short, medium and long-term loans; handling settlements; bills discounting; bonds issuance; issuance and redemption on an agency basis and underwriting government bonds; government bond trading; executing inter-bank transactions; providing letters of credit and related services and guarantees; collection of payments and handling insurance business on an agency basis; and provision of safety-deposit box services; foreign currency deposits and loans; foreign currency remittances; foreign currency exchange; international settlements; inter-bank foreign currency loans; accepting and discounting of foreign currency instruments; foreign currency lending; foreign currency guarantees; foreign exchange purchases and sales; issuance and trading on a proprietary or agency basis of foreign currency securities other than equities; trading foreign exchange on a proprietary or agency basis; issuing foreign currency credit cards and acting as agents

in issuing and settling payments relating to foreign credit cards; credit investigations, consulting and surety services; organising or participating in syndicated loans; trading in precious metals; conducting all such banking services as approved by the local laws applicable to overseas operations; and issuing, or acting as agents to issue, local currencies according to the local regulations and laws through the operations in Hong Kong and Macau; all other business approved by the PBOC.

II. Basis of preparation

1. Statement of compliance

The financial statements have been prepared in accordance with applicable rules and regulations in China, including Accounting Standards for Business Enterprises, Financial Regulations for Financial and Insurance Institutions and Provisional Regulations on Consolidated Financial Statements for Wholly State-owned Commercial Banks.

2. Basis of consolidation

The consolidated financial statements for the year ended 31 December 2002 incorporate the bank and its subsidiaries on line-by-line basis. All significant intragroup balances and transactions are eliminated in preparing the consolidated financial statements. The accounts of overseas operations are prepared in accordance with the accounting policies set by the Head Office of the bank subject to the relevant local accounting regulations, and have not been adjusted for the purposes of consolidation.

The overseas operations comprise the branches and subsidiaries outside the Chinese mainland, including in Hong Kong and Macau.

3. Principal subsidiaries

The consolidated financial statements include the results of all subsidiaries in which the bank has more than half of the voting rights or has the power to govern the financial and operating policies so as to obtain benefits from its activities. Companies that are held for resale or acquired

through the Debt-for-Equity Swaps are excluded from consolidation.

The principal subsidiaries which have been consolidated in the group's financial statements of 2002 are set out below:

Name	Date of incorporation	Equity held (%)	Paid-in capital (in millions)	Principal business
Bank of China (Luxembourg) S. A.	7 May 1991	99.99	EUR6.2	Commercial banking
Bank of China (Kazakhstan)	28 April 1993	100.00	KZT1,051	Commercial banking
Bank of China (Eluosi)	1 November 1993	100.00	RUR109	Commercial banking
Bank of China (Canada)	18 May 1993	100.00	CAD58	Commercial banking
Bank of China (Zambia)	22 July 1997	99.99	ZMK3,820	Commercial banking
Bank of China (Malaysia) Berhad	16 December 2000	100.00	MYR304	Commercial banking
BOC Hong Kong (Group) Ltd.	12 September 2001	100.00	HKD40,156	Holding company business
BOC International Holdings Ltd.	10 July 1998	100.00	HKD3,539	Investment banking
Bank of China Group Investment Ltd.	May 1993	100.00	HKD200	Holding of industrial and other investments
Tai Fung Bank Limited	1941	50.31	MOP1,000	Commercial banking

The changes in the entities consolidated in 2002 are as follows:

In September 2002 the bank transferred its entire equity interest in Hua Chiao Commercial Bank Ltd. to a subsidiary of BOC Hong Kong (Group) Ltd.. As a result, Hua Chiao Commercial Bank Ltd. is not separately disclosed as a principal subsidiary.

Subsequent to the approval by the PBOC, the Kwangtung

Provincial Bank was liquidated in July 2002 and all related assets and liabilities were transferred to the bank. As a result, Kwangtung Provincial Bank has been excluded from consolidation in 2002.

III. Principal accounting policies and accounting estimates

1. Accounting year

The accounting year of the group is from 1 January to 31 December.

2. Basis of preparation and measurement basis

Unless otherwise stated, the financial statements have been prepared on an accrual basis and the measurement basis used is historical cost.

3. Foreign currency translation

The bank's reporting currency is renminbi. Foreign currency transactions are recorded in multi-currency ledgers. Vouchers, journals and financial statements are prepared in the currencies in which the transactions are denominated. All foreign currency financial statements are translated into renminbi at balance sheet

date according to the following methods.

For domestic operations, all foreign currency assets, liabilities and profit and loss items are translated into renminbi at the respective exchange rates ruling at the balance sheet date, while all items in the owner's equity are translated into renminbi at historical exchange rates. For overseas operations, financial statements are prepared in their respective local currencies. On consolidation, all financial data are translated into renminbi at the exchange rates ruling at the balance sheet date. Differences arising from the translations are reported separately in the owner's equity.

The exchange rates between major foreign currencies and renminbi as at 31 December 2002 and 31 December 2001 were:

4. Investments

Balance sheet date	USD1	EUR1	JPY100	HKD1
31 December, 2002	8.2773	8.6360	6.9035	1.0611
31 December, 2001	8.2766	7.3178	6.3005	1.0606

4. Investments

(1) Equity investments

Equity investments are accounted for using either the cost method or the equity method dependent on the circumstances. Under the cost method, investments are stated at historical cost and investment income is recognised in the period when the investee company declares a distribution of profit or cash dividends.

Under the equity method, investments are initially stated at cost. The investing enterprise should, after the acquisition of the equity investment, adjust the carrying amount of the investment according to its attributable share of the investee enterprise's net profit or loss, which is recognised as investment income for the current period accordingly. Other changes in the owner's equity (other than net profit or loss) of the investee enterprise should adjust the carrying amount of investment according to the particular

circumstances. The investing enterprise should reduce the carrying amount of investments by its attributable share of the investee enterprise's profit or cash dividends declared to be distributed. Upon disposal of any equity investments, the difference between the net disposal proceeds and the carrying value is charged or credited to the income statement.

According to the requirements of the Commercial Banking Law of the P.R.C., domestic investments acquired due to historical reasons are pending for liquidation or sales or to be transferred to an Asset Management Corporation. These investments are stated at cost regardless of the percentage shareholding. All investments acquired through Debt-for-Equity Swaps are also stated at cost. Investments in overseas subsidiaries are accounted for using the equity method.

(2) Debt investments

(2) Debt investments

Debt investments are classified as either investment securities or trading securities according to investment objectives.

Investments that the bank has the intention to hold to maturity are classified as investment securities. Investments that are acquired principally for resale over a period of time are classified as trading securities.

Debt investments are stated at acquisition cost. The interest income arising from debt securities is calculated regularly and is determined with reference to the face value and the coupon rate. Any premium or discount arising on the purchase of investment securities is amortised to the income statement on a straight-line basis. Upon disposal of debt investments, the difference between the net disposal proceeds and the carrying amount should be recognised as income or expense in the income statement. The revaluation of debt investments held by domestic operations is recorded in a memorandum account and is not recognised in the income statement.

Investments held by overseas branches or subsidiaries are accounted for in accordance with the relevant regulations of the country or area in which the branches or subsidiaries operate.

5. Discounted bills

The discounted bills are recorded in the balance sheet at the discounted amount paid for the bills. The interest income of discounted bills is calculated based on the discounted amount paid and the effective interest rate. Bills that have been subsequently rediscounted with the central bank and other financial institutions without recourse are derecognised. Bills that have been subsequently rediscounted under a repurchase agreement with the central bank or other financial institutions are recorded under the caption "Due to central banks" or "Due to banks and inter-bank placements".

6. Loans and provisioning policy

(1) Loans

Loans are stated at the principal amount outstanding. Interest income is calculated based on principal amounts outstanding and applicable interest rates. Principal amounts and accrued interest are recorded separately.

Loans are classified into customer loans and entrusted loans. Customer loans represent the loans granted by the bank where the risks are borne by the bank and the bank receives the interest income. Entrusted loans represent the loans granted by the bank on behalf of third party principal lenders. For entrusted loans, the bank grants loans to borrowers designated by the principal lenders and manages the administration and collection of these loans on their behalf. The principal lenders determine the terms of the entrusted loans including their purposes, amounts, interest rates and repayment terms. The bank charges commission but the risk of losses is borne by the principal lenders. Entrusted loans are recorded as off-balance sheet items.

(2) Provisioning policy

A. Provisioning policy for bad and doubtful assets adopted by domestic operations

Pursuant to the relevant regulations issued by the Ministry of Finance, the bank makes provisions against all loans, discounted bills, advances, documentary bills, credit card overdrafts, equity investments and debt investments (except for government bonds), inter-bank placements, and interest receivable (excluding interest receivable on loans, government bonds and inter-bank placements).

Provisions for bad and doubtful assets are set at 1% of the outstanding balance of each class of asset mentioned above at the balance sheet date and are charged to the income statement for the year. The provisions for bad and doubtful assets will be utilised on the write-off of the corresponding assets. Recoveries of assets, which have been written off, are credited to the income statement during the current year.

B. Provisioning policy adopted by overseas operations

Provisions for bad and doubtful assets relating to the overseas operations include both general provisions and specific provisions. According to the bank's provisioning policy, a general provision is made at 1.5% of the outstanding loan balances at the balance sheet date. Specific provisions are made according to the individual characteristics of such loans following analysis of the relevant risk. Upon the approval of the Head Office, overseas operations make provisions in accordance with the requirements of the local regulatory authorities.

(3) Criteria for recognising bad debts

made according to the individual characteristics of such loans following analysis of the relevant risk. Upon the approval of the Head Office, overseas operations make provisions in accordance with the requirements of the local regulatory authorities.

(3) Criteria for recognising bad debts

- A. The borrower and guarantor are unable to repay the loans after the bank has exhausted legal procedures or the borrower and the guarantor have no property to meet the court's judgement and there are no loans recoverable even after enforcing the court's ruling;
- B. The loan cannot be paid wholly or in part as a result of the borrower suffering from major natural disasters or accidents and not being able to claim from insurance companies or the loan is not recoverable even after the insurance proceeds;
- C. The borrower and the guarantor are bankrupt, liquidated or ceased business and the loan is still not recoverable after debt collection procedures;
- D. Though the borrower and the guarantor are not yet bankrupt, liquidated or ceased business, they have completely ceased operations and have had their business licenses withdrawn by relevant government authorities. The loans are still not recoverable after legal procedures;
- E. The borrower commits an offence. Its assets cannot meet its obligations and there are no other guarantors. The loan is still not recoverable even after debt collection procedures;
- F. The borrower is dead or is declared dead or cannot be located according to the general principles of the civil law of the P.R.C.. The loan is still not recoverable after the borrower's assets have been liquidated or legal procedures have been taken against guarantors;
- G. The bank cannot recover the outstanding loans due to the reasons set out in A to F above. The amount of

outstanding loans (including interest) in excess of the fair value of the repossessed assets, after deducting the estimated realisation costs, is known to be uncollectable after all the necessary legal procedures have been exhausted;

- H. The applicant and guarantor are unable to repay advances in connection with letters of credit, discounted bills and letters of guarantee for the reasons mentioned in A to G above, and the amount is not recoverable even after debt collection procedures have been followed;
- I. The investee company is bankrupt or closed by law and its business license has been withdrawn by the relevant government authorities. The investment is still not recoverable after collection procedures;
- J. Assets that have been approved by the State Council to be written off.

7. Fixed assets and depreciation

Fixed assets refer to assets with a unit value of RMB2,000 or higher that are used for more than one year. These include buildings and improvements, furniture and fixtures, motor vehicles and other equipment that are used in the bank's business. Assets that are not used in the bank's ordinary business but with useful lives of more than 2 years and a unit value exceeding RMB2,000 are also classified as fixed assets.

Fixed assets are stated in the balance sheet at cost. Depreciation is calculated to write off the costs on a straight-line basis over their estimated useful lives, after taking into account an estimated residual value of 3% of cost of each asset.

The respective estimated useful lives and the estimated depreciation rates for fixed assets are as follows:

	Useful lives	Annual depreciation rate (%)
Buildings and improvements	15 - 35 years	2.77-6.47
Furniture & fixtures and other equipment	3 -11 years	8.82-32.33
Motor vehicles	4 - 6 years	16.17 - 24.25

8. Construction in progress

Construction in progress refers to capital assets under construction or installation and is stated in the balance sheet at cost.

9. Other assets

Other assets represent intangible assets, deferred assets, precious metals, assets pending disposal, repossessed assets, assets of subsidiaries arising from non-banking operations.

Intangible assets mainly include land use rights, computer software and others. Intangible assets are stated in the balance sheet at cost less accumulated amortisation. Amortisation for intangible assets is calculated on a straight-line basis over their estimated beneficial lives or effective periods and is recognised in the income statement.

Deferred assets mainly include pre-operating expenses, costs incurred for improvements made to fixed assets under operating leases and other long-term deferred expenses amortised over one year such as rental prepayments and overhaul maintenance expenses. Pre-operating expenses are amortised on a straight-line basis over a period of no less than 5 years starting in the month of commencement of operations. Costs incurred for fixed assets improvements are amortised on a straight-line basis over their respective lease periods. Rental prepayments are amortised over their respective lease periods. Other long-term deferred expenses are amortised on a straight-line basis over their respective beneficial periods.

Repossessed assets are stated in the balance sheet at fair value determined by a court or an arbitration institution, or revalued amounts determined by an independent valuer or at a value determined by a mutual agreement between the debtor and creditor. Pursuant to a notice (Caijin [2002] 1) "Circular Concerning Financial Institutions Recognising Revenue Arising from Receipt and Disposal of Assets Used for Debt Satisfaction" issued by the Ministry of Finance of the P.R.C. , on the repossession of assets and prior to realisation, the excess of the value of the assets repossessed over the outstanding principal and interest receivable is not recognised in the income statement. The amount of cash received from realisation of repossessed assets in excess of the sum of the outstanding principal and interest receivable is accounted for as interest income.

10. Repos and reverse repos

Repos refer to securities sold under a repurchase agreement. Repos are recorded in the balance sheet under the caption "Due to banks and inter-bank placements".

Reverse repos refer to securities purchased under a resale agreement. Reverse repos are recorded in the balance sheet under the caption "Due from banks and inter-bank placements".

Profits or losses on a repos or reverse repos transaction represent the difference between the purchase price and selling price and are recognised in the income statement during the year on an accrual basis.

11. Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the bank and the amount of the revenue can be measured reliably, revenue is recognised on an accrual basis in the income statement as follows:

(1) Interest income

Interest income is recognised in the income statement as it accrues. Pursuant to a notice (Caijin [2002] 5) issued by the Ministry of Finance "Circular on Shortening Accounting Term for Interest Receivable of Financial Institutions", Interest receivable that is overdue for more than 90 days, regardless of whether the principal is overdue or not, should only be recognised in the income statement when the amount has been received. All outstanding interest receivable, which had previously been recognised as income on these accounts, should be reversed and recorded in a memorandum account.

When principal is overdue for more than 90 days, the interest receivable previously recognised in the income statement should be reversed and recorded in a memorandum account. Subsequent interest due should be recorded in a memorandum account and recognised in the income statement only when the amount has been received.

Pursuant to a letter (Caijinhan [2002] 43) issued by the Ministry of Finance "Letter Regarding to the Accounting Treatment of Lawsuit Fees", where principal or interest receivable due from banks and inter-bank placements is overdue for more than 90

memorandum account and recognised in the income statement only when the amount has been received.

Pursuant to a letter (Caijinhuan [2002] 43) issued by the Ministry of Finance "Letter Regarding to the Accounting Treatment of Lawsuit Fees", where principal or interest receivable due from banks and inter-bank placements is overdue for more than 90 days, the interest previously recognised in the income statement should be reversed and recorded in a memorandum account. Subsequent interest due should be recorded in a memorandum account and recognised in the income statement only when the amount has been received.

(2) Fee and commission income

Fee and commission income arising on the financial services provided by the bank are recognised in the income statement when the services are rendered and the payments are received or the documents supporting the rights to receive consideration

are obtained.

12. Expenses recognition

Interest and other expenses are recognised in the income statement on an accrual basis unless otherwise specified.

13. Tax

(1) Income tax

The income tax of the bank is accounted for on tax-payable method. The income tax rate applicable to the bank's domestic operations is 33%.

(2) Other taxes

Other taxes applicable to the bank's domestic operations are as follows:

Tax	Taxable basis	Tax rate
Business tax	Operating income	6%
City maintenance and construction tax	Business tax payable calculated based on a tax rate of 5%	1%、5% or 7%
Education fee surcharge	Business tax payable calculated based on a tax rate of 5%	3% or other regulations

Tax of the bank's overseas operations is calculated subject to the relevant local tax regulations where they are operated.

14. Derivative instruments

Foreign exchange and interest rate derivative products entered into by the bank include forwards, futures, swaps, options and others. For domestic operations, forwards and futures contracts are mark-to-market and the unrealised gain or loss is recognised in the income statement during the year. Swap contracts are mark-to-market on a daily basis but the unrealised gain or loss is not recognised in the financial statements.

For overseas operations, derivative instruments are accounted for in accordance with relevant local accounting standards.

15. Significant changes in accounting policies

(1) Equity investments

Prior to 2002, equity investments were accounted for using the cost method. Starting from 2002, all investments held for historical reasons, in the process of liquidation, resale or transfer to an Asset Management Corporation continue to be accounted for using the cost method. The bank's investments in overseas subsidiaries are accounted for using the equity method, and the comparative figures have been adjusted as a result of the change in accounting policy.

(2) Loan interest

(2) Loan interest

Prior to 2002, the group's domestic operations recognised loan interest in accordance with the notice issued by the Ministry of Finance "Circular on Adjusting accounting terms of the Interest Receivable of Financial Institutions" (Caijin [2001] 25).

Accordingly, interest receivable which has been overdue for more than 180 days and had been previously recognised in the income statement should be reversed in income statement. Subsequent interest receivable, regardless of whether the loan principal had been overdue or not, was not recognised as income until the amounts have been received. All loans with principal overdue for more than 180 days were classified as doubtful loans. All corresponding interest receivable previously recognised as interest income should be reversed and recorded in a memorandum account.

From 2002, pursuant to a notice issued by the Ministry of Finance "Circular on Shortening Accounting Term for Interest Receivable of Financial Institutions" (Caijin [2002] 5), the accounting term for interest receivable has been shortened from 180 days to 90 days. (see note III 11(1) above)

(3) Debt payments in kind

Prior to 2002, the bank's domestic operations recognised the excess of the carrying value of the repossessed assets over the sum of the relevant outstanding loan principal and interest receivable as interest income on receipt of repossessed assets.

From 2002, pursuant to a notice (caijin [2002] 1) issued by the Ministry of Finance "Circular on Recognition on Receipt and Disposal of Assets of Financial Institutions", the amount of the carrying value of the repossessed assets in excess of the sum of the relevant loan principal and interest receivable should be recorded in a memorandum account until the cash has been received. Upon the disposal of the repossessed assets, the amount of cash proceeds in excess of the sum of principal and interest receivable is recognised in the income statement as interest income. The related interest income recognised prior to 2002 has been reversed and recorded in a memorandum account.

(4) Interest income from inter-bank placements

Prior to 2002, the bank's domestic operations recognised interest income arising from inter-bank placements in the income statement and made a provision for interest receivable on inter-bank placements. From 2002, pursuant to a letter (Caijinhan [2002] 43) issued by the Ministry of Finance, the interest receivable on inter-bank placements where either the principal or interest has been overdue for more than 90 days is recognised in the income statement only after the amount has been received. The interest income previously recognised in the income statement should be reversed and recorded in a memorandum account. No provision is required for interest receivable.

For the items (2), (3) and (4) mentioned above, the changes in accounting policies are applied prospectively.

IV. Notes to the consolidated financial statements

1. Cash

Items	31 December, 2002	31 December, 2001
Domestic operations		
RMB	10,702	9,936
Foreign currencies	7,453	7,696
Overseas operations		
Foreign currencies	3,368	3,983
Total	21,523	21,615

2. Due from central banks

Items	31 December, 2002	31 December, 2001
Domestic operations		
Deposit reserves	141,302	115,966
Fiscal deposit with the Central Bank	1,266	72
Foreign currency deposit with the Central Bank	10,792	10,126
Overseas operations		
Due from overseas central banks	39,624	7,498
Total	192,984	133,662

3. Government certificates of indebtedness for bank notes issued

Bank of China (Hong Kong) Ltd. is a note issuing bank for Hong Kong dollars. Bank of China Macau branch is a note issuing bank for Macau Pataca notes. They submit bank note issuing

reserves with the Governments of SARs according to their requirements.

4. Due from banks and inter-bank placements

Items	31 December, 2002	31 December, 2001
Domestic operations		
Due from banks	20,523	21,615
Placements with banks	190,624	142,550
Placements with other financial institutions	2,279	11,294
Overseas operations		
Due from banks	12,652	64,709
Placements with banks	218,259	326,055
Total	444,337	566,223

5. Investments

Items	31 December, 2002	31 December, 2001
Domestic operations		
Equity investments	17,521	5,748
Investment securities	667,319	589,898
Trading securities	22,357	6,418
Overseas operations		
Equity investments	15,634	17,285
Investment securities	232,433	218,467
Trading securities	31,999	3,829
Total	987,263	841,645

6. Accounts receivable

Items	31 December, 2002	31 December, 2001
Domestic operations		
Interest receivable	25,620	33,850
Other receivables	14,879	22,382
Overseas operations		
Interest receivable	4,072	7,030
Other receivables	9,875	10,910
Total	54,446	74,172

7. Bills discounted and trade finance related receivables

Items	31 December, 2002	31 December, 2001
Domestic operations		
Bills discounted	43,704	13,871
Bills purchased	170	207
Inward and outward documentary bills	8,843	4,637
Others	2,253	1,058
Overseas operations		
Bills discounted	3,137	2,076
Inward and outward documentary bills	9,912	22,454
Others	13,716	529
Total	81,735	44,832

8. Loans and overdrafts

(1) Currency structure of loans

Currency	31 December, 2002	31 December, 2001
RMB	981,136	835,629
HKD	329,829	323,330
USD	341,438	326,004
JPY	24,269	25,802
Others	59,138	76,172
Total	1,735,810	1,586,937

(2) Maturity structure of loans

Maturity	31 December, 2002	31 December, 2001
Within one year	974,158	938,765
One to five years (exclusive)	339,090	237,731
Five years and above	422,562	410,441
Total	1,735,810	1,586,937

(3) Sector structure of loans

Sector	31 December, 2002	31 December, 2001
Manufacturing	479,468	336,965
Commerce	309,612	129,062
Real estate	124,054	167,140
Others	822,676	953,770
Total	1,735,810	1,586,937

Note: Industry sector of loans is classified in accordance with National Classification of P.R.C. GB/T 4754-2002 for Industrial Classification for National Economic Activities issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.

(4) Category structure of loans

Category	31 December, 2002	31 December, 2001
Unsecured	242,020	383,517
Guaranteed	675,855	584,360
Other secured	817,935	619,060
Total	1,735,810	1,586,937

9. Provisions

Items	General provisions	Other provisions	Total
Balance at 1 January 2002	30,702	42,535	73,237
Charge for the year	16,431	10,280	26,711
Write-off during the year	13,698	6,035	19,733
Transfer from undistributed profit	-	9,000	9,000
Reclassifications	-5,720	5,720	-
Others	133	908	1,041
Balance at 31 December 2002	27,848	62,408	90,256

10. Fixed assets and accumulated depreciation

Items	31 December, 2002	31 December, 2001
Domestic operations		
Buildings and improvements	39,882	44,840
Equipment	21,109	19,875
Cost of fixed assets	60,991	64,715
Less: accumulated depreciation	19,269	17,053
Net book value of fixed assets	41,722	47,662
Overseas operations		
Buildings and improvements	25,717	23,822
Equipment	5,019	4,465
Others	-	512
Cost of fixed assets	30,736	28,799
Less: accumulated depreciation	4,881	4,386
Net book value of fixed assets	25,855	24,413
Total net book value of fixed assets	67,577	72,075

11. Other assets

Items	31 December, 2002	31 December, 2001
Intangible assets	2,580	2,475
Deferred assets	2,455	2,883
Precious metals	2,286	2,286
Assets pending for disposals	7,252	2,955
Repossessed assets	16,053	12,030
Subsidiaries' assets *	8,564	15,452
Others	19,674	20,017
Total	58,864	58,098

*As the nature of certain overseas subsidiaries' operations differs from that of the rest of the group, some of their assets are included in subsidiaries' assets.

12. Due to central banks

Items	31 December, 2002	31 December, 2001
Borrowings from central banks	4,225	7,341
Special foreign exchange deposits of the government bodies	106,939	91,289
Total	111,164	98,630

13. Bank notes in circulation

Bank notes in circulation represent the liabilities in the Hong Kong Dollar notes and Macau Pataca notes in circulation, issued respectively by BOC (Hong Kong) Ltd. and Bank of China Macau branch.

14. Due to banks and inter-bank placements

Items	31 December, 2002	31 December, 2001
Domestic operations		
Due to banks	74,902	85,005
inter-bank placements	226,035	186,102
Overseas operations		
Due to banks	4,738	6,251
inter-bank placements	23,344	124,380
Total	329,019	401,738

15. Customer deposits

Items	31 December, 2002	31 December, 2001
Domestic operations		
Renminbi demand deposits	679,772	559,290
Renminbi time deposits	744,444	627,780
Foreign currency demand deposits	125,566	104,876
Foreign currency time deposits	451,217	423,241
Overseas operations		
Foreign currency demand deposits	274,174	246,279
Foreign currency time deposits	480,098	515,677
Total	2,755,271	2,477,143

16. Remittances

Items	31 December, 2002	31 December, 2001
Domestic operations		
Outward remittances	27,442	24,768
Inward remittances	3,234	1,487
Promissory notes issued	4,046	1,771
Overseas operations		
Outward remittances	405	419
Inward remittances	191	224
Promissory notes issued	595	529
Total	35,913	29,198

17. Accounts payable

Items	31 December, 2002	31 December, 2001
Domestic operations		
Interest payable	23,566	31,117
Other payables	29,227	24,570
Overseas operations		
Interest payable	2,029	3,226
Other payables	14,326	19,810
Total	69,148	78,723

18. Other liabilities

Items	31 December, 2002	31 December, 2001
Housing fund	148	175
Subsidiaries' liabilities*	6,822	11,707
Others	13,426	8,926
Total	20,396	20,808

* As the nature of certain overseas subsidiaries' operations differs from that of the rest of the group, some of their liabilities are included in subsidiaries' liabilities.

19. Owner's equity

Owner's equity represents the ownership over the bank's net assets. In 31 December 2002, referring to the Accounting Regulations for Financial Institutions, the bank reclassified the owner's equity and adjusted opening balance to comply with current year's presentation. Paid-in capital represents the registered capital; reserves represent the statutory reserves appropriated

from profit after tax based on relevant rules and regulations issued by the relevant government authorities and property revaluation surplus; undistributed profit represents the accumulated profits to be distributed in future years .

20. Interest income, interest expense and net interest income

Items	2002	2001
Domestic operations		
Interest income		
Interest income from loans	45,693	49,068
Interest income from inter-bank placements	8,639	13,265
Interest income from debt securities	17,423	19,923
Sub-total	71,755	82,256
Interest expense		
Interest expense on customer deposits	26,189	39,850
Interest expense on inter-bank placements	9,551	9,141
Interest expense on bonds issued	190	375
Sub-total	35,930	49,366
Net interest income from domestic operations	35,825	32,890
Overseas operations		
Interest income		
Interest income from loans	14,967	25,945
Interest income from inter-bank placements	7,146	14,164
Interest income from debt securities	8,288	10,830
Sub-total	30,401	50,939
Interest expense		
Interest expense on customer deposits	9,319	25,989
Interest expense on inter-bank placements	2,816	6,910
Sub-total	12,135	32,899
Net interest income from overseas operations	18,266	18,040
Total	54,091	50,930

21. Other operating income, net

Items	2002	2001
Domestic operations		
Fee and commission income	3,778	3,356
Less: fee and commission expense	762	633
Net fee and commission income	3,016	2,723
Income from treasury activities	2,600	2,505
Investment income	4,277	2,494
Others	50	18
Overseas operations		
Fee and commission income	5,702	5,139
Less: fee and commission expense	1,022	1,122
Net fee and commission income	4,680	4,017
Income from treasury activities	1,632	2,705
Investment income	5,831	113
Others	158	134
Total	22,244	14,709

22. Operating expenses

Items	2002	2001
Domestic operations		
Staff costs	8,546	7,122
General operating expenses	8,941	8,325
Depreciation	4,512	4,062
Overseas operations		
Staff costs	4,951	4,859
General operating expenses	2,438	2,708
Depreciation	879	575
Total	30,267	27,651

23. Non-operating income, net

Items	2002	2001
Non-operating income		
Income from disposal of fixed assets	72	389
Penalty income	18	29
Other income	1,090	1,321
Total	1,180	1,739
Non-operating expenses		
Loss items	716	317
Loss on disposal of fixed assets	324	32
Penalty expenses	65	21
Donations	6	4
Other expenses	2,247	602
Total	3,358	976
Non-operating income, net	-2,178	763

24. Undistributed profit

The increase in undistributed profit resulted mainly from the net profit of RMB9,445 million of the current year; the decrease in undistributed profit was mostly due to the appropriation of

RMB9,000 million according to the relevant regulations of the P.R.C..

V. Off-balance sheet items

Items	31 December, 2002	31 December, 2001
Bank acceptances	104,517	72,696
Letters of guarantee issued	148,941	150,550
Confirmed letters of credit	557	1,201
Letters of credit	78,337	62,034
Entrusted loans	22,789	15,195

VI. Segment information

Items	Chinese mainland	Hong Kong and Macau	Other overseas operations	Elimination	Total
Net interest income	36,704	15,437	1,950	-	54,091
Including: net interest income derived from third parties	35,825	14,860	3,406	-	54,091
Net intragroup interest income	879	577	-1,456	-	-
Operating profit before provisions	21,408	19,452	1,820	-	42,680
Pre-tax profit	2,383	11,955	-547	-	13,791
Total assets	2,735,974	876,858	218,010	-236,934	3,593,908
Including: loans and overdrafts	1,311,747	351,272	72,791	-	1,735,810
Total liabilities	2,517,769	809,145	209,300	-178,765	3,357,449
Including: customer deposits	2,000,999	707,312	46,960	-	2,755,271

Note: Investment income from overseas subsidiaries accounted for under equity method is excluded from Chinese mainland's operating profits.

VII. Subsequent events

Up to 31 December 2002, the bank has lodged claims amounting to RMB504 million in respect of certain assets such as loans, letters of credit, letters of guarantee, guarantee, certificates of deposits and bank bills. From the balance sheet date and to the

date of this report, adjudged compensation that will be obtained by the bank amounted to RMB296 million and adjudged compensation that will be paid by the bank amounted to RMB53 million.

VIII. Related parties

Investor	Investee company	Relationship	Equity (%)	Nature of transaction	Amount
Bank of China Group Investment Ltd.	Sun Chung Estate Company Ltd.	Subsidiary	100.00	Advance	541
Bank of China Group Investment Ltd.	Gold Fortune Management Corp.	Subsidiary	100.00	Advance	355
Bank of China Group Investment Ltd.	Route 3 (CPS) Company Ltd.	Associate	20.00	Advance	573
Bank of China Group Investment Ltd.	River Trade Terminal Holdings Co.	Major investor	10.00	Advance	175
Bank of China Group Investment Ltd.	Super Creation Investments Ltd.	Major investor	15.00	Advance	-145
BOC Hong Kong (Holdings) Ltd.	Tri Lease International Ltd.	Associate	40.00	Loans and interest	346

Note1: Positive figures represent amounts due from investee companies, negative figures represent amounts due to investee companies.

Note2: Sun Chung Estate Company Ltd. and Gold Fortune Management Corp. are the subsidiaries which Bank of China Group Investment Ltd. holds more than half of the equity interest but intends to dispose of in the near future.

IX. Capital adequacy ratio

Items	31 December, 2002	31 December, 2001
Core capital	181,404	182,790
Total capital	188,179	182,790
Risk weighted assets	2,309,861	2,201,020
Core capital adequacy ratio (%)	7.85	8.30
Capital adequacy ratio (%)	8.15	8.30

X. Other events

Up to 31 December 2002, the bank had 931 investments which are to be disposed of. The book value of these investments were RMB6,620 million, the principles and interest receivable relating to these investments were RMB19,066 million and RMB10,014 million respectively. The bank is in the process of transferring

these investments to China Orient Asset Management Corporation, selling the investments to third parties or liquidating these investments. Some agreements have been reached with China Orient Asset Management Corporation.

Branches, Sub-branches and Subsidiaries Authorised to Handle International Business

HEAD OFFICE

1 FUXINGMEN NEI DAJIE,
BEIJING 100818, CHINA
SWIFT: BKCH CN BJ
TLX: 22254 BCHO CN
TEL: (86) 010-66596688
FAX: (86) 010-66014024
POST CODE: 100818
<http://www.bank-of-china.com>

ANHUI PROVINCE

ANHUI BRANCH

313 MID-CHANGJIANG ROAD,
HEFEI 230061, ANHUI PROV.,
CHINA
SWIFT: BKCH CN BJ 780
TLX: 90026/90041 BOCHF CN
TEL: (86) 0551-2641419
FAX: (86) 0551-2641012
POST CODE: 230061

WUHU BRANCH

258 JIU HUA SHAN ROAD, WUHU
241000, ANHUI PROV., CHINA
SWIFT: BKCH CN BJ 79A
TLX: 91120 WHBOC CN
TEL: (86) 0553-3830735
FAX: (86) 0553-3823492
POST CODE: 241000

MA'ANSHAN BRANCH

INTERNATIONAL FINANCE
BUILDING, 1 HUAYU ROAD,
MA'ANSHAN 243011,
ANHUI PROV., CHINA
SWIFT: BKCH CN BJ 79C
TLX: 90514 BCMB CN
TEL: (86) 0555-2345674
FAX: (86) 0555-2345674
POST CODE: 243011

BEIJING CITY

BEIJING BRANCH

8 YABAO LU, CHAOYANG
DISTRICT, BEIJING 100020, CHINA
SWIFT: BKCH CN BJ 110
TLX: 210246 BOCCB CN
TEL: (86) 010-65199114
FAX: (86) 010-65199572, 65199586
POST CODE: 100020

BOC INTERNATIONAL HOLDINGS LIMITED BEIJING REPRESENTATIVE OFFICE

ROOM 801, OFFICE TOWER, EAST
ONE, ORIENTAL PLAZA, NO.1
EAST CHANG AN AVENUE,
BEIJING 100738, CHINA
TEL: (86) 010-85185505
FAX: (86) 010-85184063
POST CODE: 100738
E-MAIL: bj@bocigroup.com

CHONGQING CITY

CHONGQING BRANCH

218 ZHONG SHAN YI ROAD,
YU ZHONG DISTRICT,
CHONGQING 400013, CHINA
SWIFT: BKCH CN BJ 59A
TLX: 62172 CQBOC CN
TEL: (86) 023-63889453, 68339280
FAX: (86) 023-63500852
POST CODE: 400013

FUJIAN PROVINCE

FUJIAN BRANCH

136 WUSI ROAD, FUZHOU 350003,
FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 720
TLX: 92109 BOC FUJIAN
TEL: (86) 0591-7090999
FAX: (86) 0591-7856654
POST CODE: 350003

XIAMEN BRANCH

NORTH HUBIN ROAD 40,
XIAMEN 361012,
FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 73A
TLX: 923012 XMBOC CN
TEL: (86) 0592-5066415
FAX: (86) 0592-5066443
POST CODE: 361012

FUZHOU SHI SHIZHONG SUB-BRANCH

27 GUTIAN ROAD, FUZHOU
350005, FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 73E
TLX: 924004 BOC FZ CN
TEL: (86) 0591-3363140, 3375494
FAX: (86) 0591-3321310
POST CODE: 350005

FUQING SUB-BRANCH

39 DONGMEN ROAD, FUQING
350300, FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 73L
TLX: 924006 BOCFQ CN
TEL: (86) 0591-5217389, 5256333
FAX: (86) 0591-5226149
POST CODE: 350300

PUTIAN BRANCH

560-562 WENXIAN ROAD,
PUTIAN 351000, FUJIAN PROV.,
CHINA
SWIFT: BKCH CN BJ 73E
TLX: 925003 CBKPT CN
TEL: (86) 0594-2698904, 2695974
FAX: (86) 0594-2690761
POST CODE: 351100

QUANZHOU BRANCH

BOC BLDG. FENGZE JIE,
QUANZHOU 362000,
FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 73B
TLX: 928057 QZBOC CN
TEL: (86) 0595-2110536
FAX: (86) 0595-2110636
POST CODE: 362000

ZHANGZHOU BRANCH

65 DATONG BEI LU, ZHANGZHOU
363000, FUJIAN PROV., CHINA
SWIFT: BKCH CN BJ 73D
TLX: 929011 BOCZH CN
TEL: (86) 0596-2022929, 2032223
FAX: (86) 0596-2063411
POST CODE: 363000

GANSU PROVINCE

GANSU BRANCH

589 TIANSHUI LU, LANZHOU
730000,
GANSU PROV., CHINA
SWIFT: BKCH CN BJ 660
TLX: 72128/72034 LZBOC CN
TEL: (86) 0931-8417597
FAX: (86) 0931-8866369
POST CODE: 730000

GUANGDONG PROVINCE

GUANGDONG BRANCH

197 DONGFENG XI LU,
GUANGZHOU 510130,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 400
TLX: 441042 GZBOC CN
TEL: (86) 020-83338080
FAX: (86) 020-83344066
POST CODE: 510130

GUANGZHOU SHI YANJIANG SUB-BRANCH

91 CHANG DI ROAD,
GUANGZHOU 510120,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 42A
TLX: 441024 YJBOC CN
TEL: (86) 020-83340998
FAX: (86) 020-83342489
POST CODE: 510120

ZHUHAI BRANCH

1148 YUEHAI EAST ROAD,
GONGBEI, ZHUHAI 519020,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 45P
TLX: 456228 ZUBOC CN
TEL: (86) 0756-8885157
FAX: (86) 0756-8885157
POST CODE: 519020

SHANTOU BRANCH

98 JIN SHA ROAD,
SHANTOU 515041,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 41A
TLX: 454042 STBOC CN
TEL: (86) 0754-8262955
FAX: (86) 0754-8262844
POST CODE: 515041

CHAOZHOU BRANCH

HENGTONG BLDG., CHAO FENG
LU, CHAOZHOU 521011,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 41P
TLX: 450020 CZBOC CN
TEL: (86) 0768-2260979
FAX: (86) 0768-2803045
POST CODE: 521011

DONGGUAN BRANCH

72 GUANTAI ROAD,
DONGGUAN 523072,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44W
TLX: 455018 DGBOC CN
TEL: (86) 0769-2819888
FAX: (86) 0769-2818181
POST CODE: 523000

FOSHAN BRANCH

2 REN MIN XI LU,
FOSHAN 528000,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44A
TLX: 425011 FSB OC CN
TEL: (86) 0757-2228888
FAX: (86) 0757-2221638
POST CODE: 528000

GUANGZHOU K. F. Q. BRANCH

19 DONGYUANER STREET
QINGNIAN ROAD,
GUANGZHOU 510730,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 42G
TLX: 440802 GDZXC CN
TEL: (86) 020-82215911
FAX: (86) 020-82212766
POST CODE: 510730

HUIZHOU BRANCH

22 MAI DI ROAD,
HUIZHOU 516001,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 47A
TLX: 427034 HZBOC CN
TEL: (86) 0752-2271988
FAX: (86) 0752-2270110
POST CODE: 516001

JIANGMEN BRANCH

22 GANGKOU ROAD,
JIANGMEN 529051,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44K
TLX: 459018 BOCJM CN
TEL: (86) 0750-3181288
FAX: (86) 0750-3181444
POST CODE: 529051

MAOMING BRANCH

13 YOUCHENG WU LU,
MAOMING 525000,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 42P
TLX: 453016 MMB OC CN
TEL: (86) 0668-2283410
FAX: (86) 0668-2285300
POST CODE: 525000

MEIZHOU BRANCH

53 MEIJIANG YI ROAD,
MEIZHOU 514021,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 47K
TLX: 429018 BOCMZ CN
TEL: (86) 0753-2189776
FAX: (86) 0753-2189358
POST CODE: 514021

SHAOGUAN BRANCH

ZHONGYIN BUILDING
160 JIEFANG ROAD,
SHAOGUAN 512000,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 46P
TLX: 458223 BOCSG CN
TEL: (86) 0751-8888338
FAX: (86) 0751-8883976
POST CODE: 512000

YANGJIANG BRANCH

29 DONGFENG YILU,
YANGJIANG 529500,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 42W
TLX: 451018 BOCYJ CN
TEL: (86) 0662-3236838
FAX: (86) 0662-3227743
POST CODE: 529500

ZHANJIANG BRANCH

50 RENMIN DADAO ZHONG,
ZHANJIANG 524022,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 43P
TLX: 452031 GZJOC CN
TEL: (86) 0759-3189812
FAX: (86) 0759-3380183
POST CODE: 524022

ZHAOQING BRANCH

3 DUAN ZHOU LIU ROAD
ZHAOQING 526040,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 43A
TLX: 428208 BOCZQ CN
TEL: (86) 0758-2813388
FAX: (86) 0758-2834311
POST CODE: 526040

ZHONGSHAN BRANCH

18 ZHONG SHAN THIRD
ROAD
ZHONGSHAN 528404,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44T
TLX: 426005 ZSBOC CN
TEL: (86) 0760-8336688
FAX: (86) 0760-8337788
POST CODE: 528403

HESHAN SUB-BRANCH

228 XIN CHENG ROAD,
SHAPING,
HESHAN 529700,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44N
TEL: (86) 0750-8993388
FAX: (86) 0750-8988411
POST CODE: 529700

KAIPING SUB-BRANCH

1 XIANG LONG ZHONG YIN
ROAD, KAIPING 528200,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44P
TLX: 459066 BOCKT CN
TEL: (86) 0750-2322222
FAX: (86) 0750-2311111
POST CODE: 529300

NANHAI SUB-BRANCH

31 THE MIDDLE OF
NANHAI DADAO ROAD,
FOSHAN 528200,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44E
TLX: 425073 NH BOC CN
TEL: (86) 0757-6337381
FAX: (86) 0757-6285265
POST CODE: 528200

SANSHUI SUB-BRANCH

4 WEN FENG ZHONG ROAD,
XINAN TOWN, SANSHUI
528100, GUANGDONG PROV.,
CHINA
SWIFT: BKCH CN BJ 44C
TLX: 425093 BOCSS CN
TEL: (86) 0757-7733767
FAX: (86) 0757-8881622
POST CODE: 528100

SHUNDE SUB-BRANCH

2 FENG SHAN XI LU, DALIANG
ZHEN, SHUNDE 528300,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44B
TLX: 425111 BOCS D CN
TEL: (86) 0765-2221888
FAX: (86) 0765-2221883
POST CODE: 528300

TAISHAN SUB-BRANCH

46 QIAO HU LU, TAICHENG
TOWN, TAISHAN 529200,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44M
TLX: 459080 TSBOC CN
TEL: (86) 0750-5512688
FAX: (86) 0750-5526820
POST CODE: 529200

XINHUI SUB-BRANCH

7 ZHUZI ROAD, HUICHENG
TOWN, XINHUI 529100,
GUANGDONG PROV., CHINA
SWIFT: BKCH CN BJ 44L
TLX: 459044 XHBKT CN
TEL: (86) 0750-6619288
FAX: (86) 0750-6666021
POST CODE: 529100

GUANGXI ZHUANG*

GUANGXI BRANCH

39 GUCHENG ROAD,
NANNING 530022,
GUANGXI ZHUANG*, CHINA
SWIFT: BKCH CN BJ 480
TLX: 48122 BOCGX CN
TEL: (86) 0771-2811741
FAX: (86) 0771-2811267
POST CODE: 530022

BEIHAI BRANCH

INTERNATIONAL FINANCIAL
BUILDING, BEIHAI STREET,
BEIHAI 536000,
GUANGXI ZHUANG*, CHINA

SWIFT: BKCH CN BJ 49B
TLX: 48740 BOCBH CN
TEL: (86) 0779-3036112
FAX: (86) 0779-3036112
POST CODE: 536000

FANGCHENG GANG BRANCH

1 FU YU STREET,
FANGCHENG GANG 538001,
GUANGXI ZHUANG*, CHINA

SWIFT: BKCH CN BJ 49H
TLX: 482586 BOCFG CN
TEL: (86) 0770-2822552
FAX: (86) 0770-2831115
POST CODE: 538001

GUILIN BRANCH

5 SHAN HU BEI ROAD,
GUILIN 541001,
GUANGXI ZHUANG*, CHINA

SWIFT: BKCH CN BJ 49C
TLX: 48464 GLBOC CN
TEL: (86) 0773-2802867
FAX: (86) 0773-2824817
POST CODE: 541001

LIUZHOU BRANCH

178 PING SHAN AVENUE,
LIUZHOU 545005,
GUANGXI ZHUANG*,
CHINA

SWIFT: BKCH CN BJ 49D
TLX: 48579 BOCLZ CN
TEL: (86) 0772-3820774
FAX: (86) 0772-3801142
POST CODE: 545005

WUZHOU BRANCH

1 XINXING YI ROAD,
WUZHOU 543002,
GUANGXI ZHUANG*,
CHINA

SWIFT: BKCH CN BJ 49A
TLX: 48680 WZBOC CN
TEL: (86) 0774-3827101
FAX: (86) 0774-3827101
POST CODE: 543002

YULIN BRANCH

248 YI HUAN DONG ROAD,
YULIN 537000,
GUANGXI ZHUANG*, CHINA

SWIFT: BKCH CN BJ 49G
TLX: 48354 BOCYL CN
TEL: (86) 0775-2824654
FAX: (86) 0775-2804220
POST CODE: 537000

GUIZHOU PROVINCE

GUIZHOU BRANCH

30 DUSI ROAD,
GUIYANG 550002,
GUIZHOU PROV., CHINA

SWIFT: BKCH CN BJ 240
TLX: 66011 DCGZB CN
TEL: (86) 0851-5815261
FAX: (86) 0851-5825746
POST CODE: 550002

HAINAN PROVINCE

HAINAN BRANCH

38 DATONG ROAD,
HAIKOU 570102,
HAINAN PROV., CHINA

SWIFT: BKCH CN BJ 740
TLX: 490172 HABOC CN
TEL: (86) 0898-66778001
FAX: (86) 0898-66774756
POST CODE: 570102

SANYA BRANCH

035 JIEFANG FOUR ROAD,
SANYA 572000,
HAINAN PROV., CHINA

SWIFT: BKCH CN BJ 75A
TLX: 490091 SYBOC CN
TEL: (86) 0899-88272280
FAX: (86) 0899-88275090
POST CODE: 572000

HEBEI PROVINCE

HEBEI BRANCH

80 XINHUA ROAD,
SHIJIAZHUANG 050000,
HEBEI PROV., CHINA

SWIFT: BKCH CN BJ 220
TLX: 26216/26103 JZBOC CN
TEL: (86) 0311-7035522
FAX: (86) 0311-7035938
POST CODE: 050000

QINHUANGDAO BRANCH

157 YINGBIN ROAD,
QINHUANGDAO 066001,
HEBEI PROV., CHINA

SWIFT: BKCH CN BJ 23A
TLX: 271082 QHBOC CN
271025 QHBOC CN
TEL: (86) 0335-3069850
FAX: (86) 0335-3066211
POST CODE: 066001

TANGSHAN BRANCH

67 XINHUA WEST ROAD,
TANGSHAN 063004,
HEBEI PROV., CHINA

SWIFT: BKCH CN BJ 23H
TLX: 272016 TSBOD CN
TEL: (86) 0315-2210919
FAX: (86) 0315-2221569
POST CODE: 063004

HEILONGJIANG PROVINCE

HEILONGJIANG BRANCH

19 HONGJUN STREET,
HARBIN 150001,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 860
TLX: 87009 BCHB CN
TEL: (86) 0451-3633518-8111
FAX: (86) 0451-3646455
POST CODE: 150001

ZHAOLIN SUB-BRANCH

37 ZHAOLIN STREET, DAOLI
DISTRICT, HARBIN 150010,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87A
TLX: 87122 BOCDJ CN
TEL: (86) 0451-4610596
FAX: (86) 0451-4610596
POST CODE: 150010

DAQING BRANCH

168 JING LIU STREET,
SAER TU DONG FENG XIN CUN,
DAQING 163311,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87D
TLX: 87042 BCDQ CN
TEL: (86) 0459-6385681, 6385690
FAX: (86) 0459-6385679
POST CODE: 163311

HEIHE BRANCH

175 XING'AN STREET,
HEIHE 164300,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87F
TLX: 87236 BOCHH CN
TEL: (86) 0456-8232246
FAX: (86) 0456-8222093
POST CODE: 164300

JIAMUSI BRANCH

57 ZHONGSHAN ROAD,
JIAMUSI 154002,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87B
TLX: 885009 BCJMS CN
TEL: (86) 0454-8249265
FAX: (86) 0454-8249265
POST CODE: 154002

MUDANJIANG BRANCH

9 TAIPING ROAD,
MUDANJIANG 157000,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87E
TLX: 883007 BOCMDJ CN
TEL: (86) 0453-6929833-6304
6927606
FAX: (86) 0453-6929156
POST CODE: 157000

QIQIHAR BRANCH

3 BUKUI SOUTH STREET,
LONGSHA DISTRICT,
QIQIHAR 161005,
HEILONGJIANG PROV., CHINA

SWIFT: BKCH CN BJ 87C
TLX: 880012 QQBOC CN
TEL: (86) 0452-2475674
FAX: (86) 0452-2473503
POST CODE: 161005

HENAN PROVINCE

HENAN BRANCH

40 HUA YUAN ROAD,
ZHENGZHOU 450008,
HENAN PROV., CHINA

SWIFT: BKCH CN BJ 530
TLX: 46053 ZHBOC CN
TEL: (86) 0371-5728288
FAX: (86) 0371-5724678
POST CODE: 450008

HUBEI PROVINCE

HUBEI BRANCH

65 HUANGSHI ROAD,
WUHAN 430013,
HUBEI PROV., CHINA

SWIFT: BKCH CN BJ 600
TLX: 40112 HBBOC CN
TEL: (86) 027-82843904
82813723
FAX: (86) 027-82838479
82844607
POST CODE: 430013

HANKOU SUB-BRANCH

1021 ZHONGSHAN AVENUE,
WUHAN 430021,
HUBEI PROV., CHINA

SWIFT: BKCH CN BJ 600
TLX: 40263 BCJBH CN
TEL: (86) 027-82841735, 82813252
FAX: (86) 027-82841735
POST CODE: 430021

HUNAN PROVINCE

HUNAN BRANCH

127 FURONG MIDDLE ROAD,
CHANGSHA 410011,
HUNAN PROV., CHINA

SWIFT: BKCH CN BJ 970
TLX: 98107 HNBOC CN
TEL: (86) 0731-2580703
FAX: (86) 0731-2580707
POST CODE: 410011

XIANGTAN BRANCH

249 JIANSHE NORTH ROAD,
XIANGTAN 411100,
HUNAN PROV., CHINA

SWIFT: BKCH CN BJ 98D
TLX: 998020 XTBOC CN
TEL: (86) 0732-8222758
FAX: (86) 0732-8227476
POST CODE: 411100

ZHUZHOU BRANCH

23 TIANTAI ROAD, HEXI,
ZHUZHOU 412007,
HUNAN PROV., CHINA

SWIFT: BKCH CN BJ 98C
TLX: 995020 ZZBOC CN
TEL: (86) 0733-8817047
FAX: (86) 0733-8817003
POST CODE: 412007

INNER MONGOLIA*

INNER MONGOLIA BRANCH

88 XINCHENG DONG JIE,
HUHHOT 010010,
INNER MONGOLIA*, CHINA

SWIFT: BKCH CN BJ 880
TLX: 85008 BOCHB CN
TEL: (86) 0471-4690020
FAX: (86) 0471-4690084
POST CODE: 010010

BAOTOU BRANCH

XINGYUAN HOTEL, GANG TIE
DAJIE, QINGSHAN QU,
BAOTOU 014030,
INNER MONGOLIA*, CHINA

SWIFT: BKCH CN BJ 89A
TLX: 85098 BOCBT CN
TEL: (86) 0472-5128888
FAX: (86) 0472-5151311
POST CODE: 014030

ERDOS CITY BRANCH

29 ERDOS WEST STREET, DONG
SHENG 017000,
INNER MONGOLIA*, CHINA

SWIFT: BKCH CN BJ 89C
TLX: 850136 BOCDN CN
TEL: (86) 0477-8363266
FAX: (86) 0477-8324641
POST CODE: 017000

HAILAR BRANCH

SHENGLI SAN LU, HEDONG,
HAILAR 021008,
INNER MONGOLIA*, CHINA

SWIFT: BKCH CN BJ 89D
TLX: 854025 BOCHALS CN
TEL: (86) 0470-8223721
FAX: (86) 0470-8223193
POST CODE: 021008

MANZHOU LI BRANCH

28 ERDAO JIE,
MANZHOU LI 021400,
INNER MONGOLIA*, CHINA

SWIFT: BKCH CN BJ 89K
TLX: 854060 ZHMZH CN
TEL: (86) 0470-6223707
FAX: (86) 0470-6223707
POST CODE: 021400

JIANGSU PROVINCE

JIANGSU BRANCH

148 ZHONG SHAN NAN LU,
NANJING 210005,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 940
TLX: 34116 BOCJS CN
TEL: (86) 025-4201229
FAX: (86) 025-4208843
POST CODE: 210005

CHANGZHOU BRANCH

150 HEPING SOUTH ROAD,
CHANGZHOU, 213003,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95E
TLX: 361008 BOCCZ CN
TEL: (86) 0519-8101493
FAX: (86) 0519-8101493
POST CODE: 213003

LIANYUNGANG BRANCH

1 MIDDLE HAILIAN ROAD,
XIN PU DISTRICT,
LIANYUNGANG 222002,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95A
TLX: 369057 BOCLY CN
TEL: (86) 0518-5415982
FAX: (86) 0518-5411983
POST CODE: 222002

NANTONG BRANCH

19 QING NIAN XI ROAD,
NANTONG 226006,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95G
TLX: 365003 BOCNT CN
TEL: (86) 0513-3516888
FAX: (86) 0513-3518921
POST CODE: 226006

SUZHOU BRANCH

188 GAN JIANG ROAD,
SUZHOU 215002, JIANGSU PROV.,
CHINA

SWIFT: BKCH CN BJ 95B
TLX: 363010 BOCSU CN
TEL: (86) 0512-65112719
FAX: (86) 0512-65114906
POST CODE: 215002

WUXI BRANCH

258 ZHONG SHAN ROAD,
WUXI 214002, JIANGSU PROV.,
CHINA

SWIFT: BKCH CN BJ 95C
TLX: 362021 BOCWX CN
TEL: (86) 0510-2705888
FAX: (86) 0510-2705888-1000
POST CODE: 214002

YANGZHOU BRANCH

NO.279 WEN CHANG MIDDLE
ROAD, YANGZHOU 225002,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95H
TLX: 364034 YZBOC CN
TEL: (86) 0514-7361078
FAX: (86) 0514-7361030
POST CODE: 225002

ZHENJIANG BRANCH

NO.235 EAST ZHONGSHAN
ROAD, ZHENJIANG 212001,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95D
TLX: 360029 BOCZJ CN
TEL: (86) 0511-5027934
FAX: (86) 0511-5027934
POST CODE: 212001

ZHANGJIAGANG SUB-BRANCH

NO.45 REN MIN ROAD(M),
ZHANGJIAGANG 215600,
JIANGSU PROV., CHINA

SWIFT: BKCH CN BJ 95L
TEL: (86) 0512-58685888
FAX: (86) 0512-58684349
POST CODE: 215600

JIANGXI PROVINCE

JIANGXI BRANCH

1 ZHANQIAN WEST ROAD,
NANCHANG 330002,
JIANGXI PROV., CHINA

SWIFT: BKCH CN BJ 550
TLX: 95013 BOCNC CN
TEL: (86) 0791-6471513
FAX: (86) 0791-6471515
POST CODE: 330002

JINGDEZHEN BRANCH

CI DU AVENUE,
JINGDEZHEN 333000,
JIANGXI PROV., CHINA
SWIFT: BKCH CN BJ 56A
TLX: 95207 BOCJD CN
TEL: (86) 0798-8570591
FAX: (86) 0798-8570591
POST CODE: 333000

JILIN PROVINCE

JILIN BRANCH

11 XI AN DA LU, CHANG CHUN
130061, JILIN PROV., CHINA
SWIFT: BKCH CN BJ 840
TLX: 83006 CCBOC CN
TEL: (86) 0431-8409055
FAX: (86) 0431-8409054
POST CODE: 130061

CHANGCHUN XI AN DA LU SUB-BRANCH

1 TONGZHI STREET,
CHANGCHUN 130061,
JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85A
TLX: 83124 JCBOC CN
TEL: (86) 0431-8948667
FAX: (86) 0431-8948747
POST CODE: 130061

JILIN CITY BRANCH

1 SHENZHEN AVENUE,
JILIN 132011, JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85B
TLX: 84010 BYOOL CN
TEL: (86) 0432-4670216
FAX: (86) 0432-4670299
POST CODE: 132011

YANBIAN BRANCH

107 RENMIN LU, YANJI 133000,
JILIN PROV., CHINA
SWIFT: BKCH CN BJ 85C
TLX: 842109 YJBOC CN
TEL: (86) 0433-2536454
FAX: (86) 0433-2516877
POST CODE: 133000

LIAONING PROVINCE

LIAONING BRANCH

9 YAN'AN ROAD, ZHONG SHAN
DISTRICT, DALIAN 116001,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 810
TLX: 86163 CDB CN
TEL: (86) 0411-2803300
FAX: (86) 0411-2638648
POST CODE: 116001

DALIAN ZHONGSHAN SQUARE SUB-BRANCH

9 ZHONGSHAN GUANG CHANG,
DALIAN 116001, LIAONING PROV.,
CHINA
SWIFT: BKCH CN BJ 82N
TLX: 80058 BCSB CN
TEL: (86) 0411-2805711
FAX: (86) 0411-2637504
POST CODE: 116001

SHENYANG BRANCH

253 SHIFU ROAD, SHENHE
DISTRICT, SHENYANG 110013,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82A
TLX: 80058 BCSB CN
TEL: (86) 024-22856666
FAX: (86) 024-22857622
POST CODE: 110013

ANSHAN BRANCH

4, 219 ROAD TIEDONG DISTRICT,
ANSHAN 114001, LIAONING
PROV., CHINA
SWIFT: BKCH CN BJ 82D
TLX: 810044 BOCAS CN
TEL: (86) 0412-2225818
FAX: (86) 0412-2232217
POST CODE: 114001

DALIAN DEVELOPMENT ZONE BRANCH

BANK OF CHINA TOWER,
158 JIN MA LU, DALIAN
ECONOMIC AND TECHNICAL
DEVELOPMENT ZONE, DALIAN
116600, LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82H
TLX: 86060 BOC DK CN
TEL: (86) 0411-7619999
FAX: (86) 0411-7612554
POST CODE: 116600

DANDONG BRANCH

60 JINSHAN DAJIE, DANDONG
118000, LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82B
TLX: 812028 BOCDD CN
TEL: (86) 0415-2137721
FAX: (86) 0415-2122197
POST CODE: 118000

JINZHOU BRANCH

25 SECTIONS 5, JIEFANG ROAD,
LINGHE DISTRICT,
JINZHOU 121000,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82F
TLX: 813039 JZZGH CN
TEL: (86) 0416-3131278
FAX: (86) 0416-3131278
POST CODE: 121000

YINGKOU BRANCH

8 WEST, BOHAI DAJIE,
ZHANQIAN DISTRICT,
YINGKOU 115000,
LIAONING PROV., CHINA
SWIFT: BKCH CN BJ 82C
TLX: 814010 BOCYK CN
TEL: (86) 0417-2834261
FAX: (86) 0417-2805147
POST CODE: 115000

NINGXIA HUI*

NINGXIA BRANCH

170 JIEFANG XI STREET,
YINCHUAN 750001,
NINGXIA HUI*, CHINA
SWIFT: BKCH CN BJ 260
TLX: 750003 BOCYC CN
TEL: (86) 0951-5044671
FAX: (86) 0951-5044671
POST CODE: 750001

QINGHAI PROVINCE

QINGHAI BRANCH

218 DONGGUAN STREET,
XINING 810000,
QINGHAI PROV., CHINA
SWIFT: BKCH CN BJ 280
TLX: 77019 BOCXN CN
TEL: (86) 0971-8180192
FAX: (86) 0971-8180192
POST CODE: 810000

SHAANXI PROVINCE

SHAANXI BRANCH

38 JUHUA YUAN, XI'AN 710001,
SHAANXI PROV., CHINA
SWIFT: BKCH CN BJ 620
TLX: 70128 BOCXA CN
TEL: (86) 029-7264646
7261726
FAX: (86) 029-7218223
POST CODE: 710001

SHANDONG PROVINCE

SHANDONG BRANCH

37 XIANGGANG ZHONG LU,
QINGDAO 266071,
SHANDONG PROV., CHINA
SWIFT: BKCH CN BJ 500
TLX: 32235 BOCQD CN
TEL: (86) 0532-5828936
5828937
FAX: (86) 0532-5828936
POST CODE: 266071

JINAN BRANCH

22 LUO YUAN DAJIE, JINAN
250063, SHANDONG PROV., CHINA
SWIFT: BKCH CN BJ 51B
TLX: 391103 BOCJN CN
TEL: (86) 0531-6995076
6995004
FAX: (86) 0531-6995223
6995236
POST CODE: 250063

RIZHAO BRANCH

24 HUANGHAI YI LU,
RIZHAO 276826, SHANDONG PROV.,
CHINA
SWIFT: BKCH CN BJ 51E
TLX: 320020 BOCRZ CN
TEL: (86) 0633-8331660
FAX: (86) 0633-8331264
POST CODE: 276826

WEIHAI BRANCH

9 NORTH QINGDAO ROAD,
WEIHAI 264200, SHANDONG PROV.,
CHINA
SWIFT: BKCH CN BJ 51D
TLX: 327222 BOCWH CN
TEL: (86) 0631-5326988
FAX: (86) 0631-5317207
POST CODE: 264200

YANTAI BRANCH

166 JIE FANG ROAD,
YANTAI 264001,
SHANDONG PROV.,
CHINA

SWIFT: BKCH CN BJ 51A
TLX: 32513 BOCYT CN
TEL: (86) 0535-6238888
FAX: (86) 0535-6238888-6232
POST CODE: 264001

SHANGHAI CITY

SHANGHAI BRANCH

200 MID. YINCHENG RD.
SHANGHAI 200120, CHINA

SWIFT: BKCH CN BJ 300
TLX: 33062 BOCSH CN
TEL: (86) 021-38824588
FAX: (86) 021-64729384
POST CODE: 200120

BOC INTERNATIONAL (CHINA) LIMITED

39/F., BANK OF CHINA TOWER,
200 YINCHENG ROAD CENTRAL,
PUDONG, SHANGHAI, 200120,
CHINA

TEL: (86) 021-68604866
FAX: (86) 021-58883554
E-MAIL: china@bocigroup.com

SHANXI PROVINCE

SHANXI BRANCH

288 YINGZE DAJIE,
TAIYUAN 030001,
SHANXI PROV., CHINA

SWIFT: BKCH CN BJ 680
TLX: 28004 BOCTB CN
TEL: (86) 0351-4048556
FAX: (86) 0351-4040364
POST CODE: 030001

SHUOZHOU BRANCH

45 KAIFA NAN LU,
SHUOZHOU 038500,
SHANXI PROV., CHINA

SWIFT: BKCH CN BJ 69A
TLX: 291004 BOCPS CN
TEL: (86) 0349-2024719
FAX: (86) 0349-2020861
POST CODE: 038500

SICHUAN PROVINCE

SICHUAN BRANCH

35 MIDDLE RENMIN ROAD
(2 DUAN), CHENGDU 610015,
SICHUAN PROV., CHINA

SWIFT: BKCH CN BJ 570
TLX: 60143 BOCCD CN
TEL: (86) 028-86403267
86741950
FAX: (86) 028-86403365
POST CODE: 610015

CHENGDU SHUDUDADAO SUB-BRANCH

18 NORTH SHUMO THREE
STREET, CHENGDU 610016,
SICHUAN PROV., CHINA

SWIFT: BKCH CN BJ 58A
TEL: (86) 028-86717652
86662260
FAX: (86) 028-86679727
86676787
POST CODE: 610016

SHENZHEN CITY

SHENZHEN BRANCH

INTERNATIONAL FINANCE
BUILDING, 2022 JIANSHE ROAD,
SHENZHEN 518001,
GUANGDONG PROV., CHINA

SWIFT: BKCH CN BJ 45A
TLX: 420309 BOCSZ CN
TEL: (86) 0755-82288288
FAX: (86) 0755-82239383
POST CODE: 518001

SHEKOU SUB-BRANCH

18 TAIZI ROAD, SHEKOU,
SHENZHEN 518067,
GUANGDONG PROV., CHINA

SWIFT: BKCH CN BJ 45B
TLX: 420243 BOCSK CN
TEL: (86) 0755-26811848, 26815208
FAX: (86) 0755-26811849
POST CODE: 518067

BANK OF CHINA GROUP INSURANCE COMPANY LTD. SHENZHEN BRANCH

31/F, INTERNATIONAL
FINANCIAL BUILDING,
2022 JIANSHE ROAD,
SHENZHEN 518001,
GUANGDONG PROV., CHINA
TEL: (86) 0755-25155678
FAX: (86) 0755-25179843
POST CODE: 518001

TIANJIN CITY

TIANJIN BRANCH

80 JIEFANG NORTH ROAD,
TIANJIN 300040, CHINA

SWIFT: BKCH CN BJ 200
TLX: 23233 TJB OC CN
TEL: (86) 022-27102335
27102329
FAX: (86) 022-23312809
27102349
POST CODE: 300040

TANGGU BRANCH

29 DONG TING LU, ECONOMIC
AND TECHNOLOGICAL
DEVELOPMENT AREA,
TIANJIN 300457, CHINA

SWIFT: BKCH CN BJ 21A
TEL: (86) 022-25292620
FAX: (86) 022-25292619
POST CODE: 300457

TIBET*

TIBET BRANCH

28 LINKUO XI LU, LHASA CITY,
850000, TIBET*, CHINA

SWIFT: BKCH CN BJ 900
TLX: 68008 LSBOC CN
TEL: (86) 0891-6835078
FAX: (86) 0891-6835078
POST CODE: 850000

XINJIANG UIGUR*

XINJIANG BRANCH

2 DONGFENG ROAD
URUMQI 830002,
XINJIANG UIGUR, CHINA

SWIFT: BKCH CN BJ 760
TLX: 79170 BOCXJ CN
TEL: (86) 0991-2336007
FAX: (86) 0991-2828619
POST CODE: 830002

YUNNAN PROVINCE

YUNNAN BRANCH

515 BEIJING ROAD,
KUNMING 650051,
YUNNAN PROV., CHINA

SWIFT: BKCH CN BJ 640
TLX: 64034 KMBNK CN
TEL: (86) 0871-3175556
FAX: (86) 0871-3188976
POST CODE: 650051

ZHEJIANG PROVINCE

ZHEJIANG BRANCH

320 YAN'AN ROAD,
HANGZHOU 310006,
ZHEJIANG PROV., CHINA

SWIFT: BKCH CN BJ 910
TLX: 35019 BOCHZ CN
TEL: (86) 0571-87077996
FAX: (86) 0571-87074837
POST CODE: 310006

NINGBO BRANCH

139 YAOXING JIE, NINGBO
315000,
ZHEJIANG PROV., CHINA

SWIFT: BKCH CN BJ 92A
TLX: 37039 NBB OC CN
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