

BANK OF COMMUNICATIONS**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION**

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

Supplementary Financial Information

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1 Capital adequacy and liquidity ratios

Group and Bank

	As at 31 December		
	2002	2003	2004
Capital adequacy ratio	<u>8.83%</u>	<u>7.41%</u>	<u>9.72%</u>
Liquidity ratios:			
RMB current assets to RMB current liabilities	<u>51.42%</u>	<u>53.02%</u>	<u>66.30%</u>
Foreign currency current assets to foreign currency current liabilities	<u>181.94%</u>	<u>98.02%</u>	<u>57.05%</u>

The above capital adequacy and liquidity ratios are calculated in accordance with the formula promulgated by the PBOC and China Banking Regulatory Commission and based on PRC GAAP.

2 Components of capital base after deduction

The capital base after deductions used in the calculation of the above capital adequacy ratio as at end of each year is analysed as below. All the figures included in the calculation are extracted from PRC GAAP statements of the Bank.

Group and Bank

	As at 31 December		
	2002	2003	2004
Core capital:			
Paid up ordinary share capital	15,910	17,108	39,070
Reserves	15,370	23,392	34,948
Profit and loss account	1,286	144	(26,558)
	<u>32,566</u>	<u>40,644</u>	<u>47,460</u>
Supplementary capital:			
Reserves on revaluation of land and interests in land	6,817	—	—
General provisions for doubtful debts	8,104	9,404	9,161
Term subordinated debt	—	—	12,000
Reserve-net profit of overseas branches retained	2,006	—	—
Gross value of supplementary capital	<u>16,927</u>	<u>9,404</u>	<u>21,161</u>
Eligible value of supplementary capital	<u>16,927</u>	<u>9,404</u>	<u>21,161</u>
Total capital base before deductions	<u>49,493</u>	<u>50,048</u>	<u>68,621</u>
Deductions:			
Equity investments of 20% or more in non-subsiary companies	1,307	—	N/A
General provision for loans overdue over 2 years	8,955	6,549	N/A
Unconsolidated equity investments	N/A	N/A	1,894
Total capital base after deductions	<u>39,231</u>	<u>43,499</u>	<u>66,727</u>

Capital deduction items of the “Equity investment of 20% or more in non-subsiary companies” and “General provision for loans overdue over 2 years” are calculated in accordance with the “Examination Measures and Supervision Indicators Relating to the Administration of Assets/Liabilities Ratio of Commercial Banks” issued by the PBOC on 12 December 1996. These two deduction items were cancelled and replaced by the “Unconsolidated equity investments”, which is in accordance with the “Administrative Measures on the Capital Adequacy Ratio of Commercial Banks” issued by the China Banking Regulatory Commission on 23 February 2004.

3 Currency concentrations*Group*

	<u>US Dollars</u>	<u>HK Dollars</u>	<u>Others</u>	<u>Total</u>
As at 31 December 2002				
Equivalent in millions of RMB				
Spot assets	64,990	38,346	20,337	123,673
Spot liabilities	(62,884)	(41,181)	(16,388)	(120,453)
Forward purchases	20,923	24,166	562	45,651
Forward sales	(24,626)	(20,556)	(471)	(45,653)
Net long/(short) position	(1,597)	775	4,040	3,218
Net structural position	2,269	3,625	133	6,027

Group

	<u>US Dollars</u>	<u>HK Dollars</u>	<u>Others</u>	<u>Total</u>
As at 31 December 2003				
Equivalent in millions of RMB				
Spot assets	72,001	63,877	19,345	155,223
Spot liabilities	(69,060)	(67,572)	(15,423)	(152,055)
Forward purchases	32,102	33,116	1,060	66,278
Forward sales	(33,958)	(30,414)	(1,898)	(66,270)
Net long/(short) position	1,085	(993)	3,084	3,176
Net structural position	3,987	3,997	573	8,557

Group

	<u>US Dollars</u>	<u>HK Dollars</u>	<u>Others</u>	<u>Total</u>
As at 31 December 2004				
Equivalent in millions of RMB				
Spot assets	102,341	45,239	19,992	167,572
Spot liabilities	(93,178)	(50,001)	(17,439)	(160,618)
Forward purchases	26,649	21,886	1,679	50,214
Forward sales	(23,238)	(20,938)	(6,124)	(50,300)
Net options position	250	20	338	608
Net long/(short) position	12,824	(3,794)	(1,554)	7,476
Net structural position	2,132	4,722	133	6,987

The net options position is calculated using the model user approach as set out in the banking return of the HKMA. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- Investments in fixed assets and premises, net of depreciation charges;
- Capital and statutory reserves of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital.

4 Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross border claims.

Cross-border claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills and certificates of deposit and investment securities.

Cross-border claims have been disclosed by different country or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Bank and other financial institutions	Public sector entities	Others	Total
As at 31 December 2002				
Asia Pacific excluding Mainland China	28,259	—	3,327	31,586
– of which attributed to Hong Kong	6,414	—	1,320	7,734
North and South America	6,751	41	2,784	9,576
Europe	35,880	126	136	36,142
	<u>70,890</u>	<u>167</u>	<u>6,247</u>	<u>77,304</u>
As at 31 December 2003				
Asia Pacific excluding Mainland China	39,621	41	4,233	43,895
– of which attributed to Hong Kong	22,112	—	1,781	23,893
North and South America	10,333	43	1,813	12,189
Europe	23,206	—	471	23,677
	<u>73,160</u>	<u>84</u>	<u>6,517</u>	<u>79,761</u>
As at 31 December 2004				
Asia Pacific excluding Mainland China	29,201	500	4,550	34,251
– of which attributed to Hong Kong	22,219	—	1,724	23,943
North and South America	10,185	1,459	4,210	15,854
Europe	24,414	231	947	25,592
Middle East and Africa	—	—	49	49
	<u>63,800</u>	<u>2,190</u>	<u>9,756</u>	<u>75,746</u>

5 Overdue and rescheduled assets

(a) Advances

(i) Gross amount of overdue loans

Group and Bank

	As at 31 December		
	2002	2003	2004
Gross advances to customers which have been overdue for:			
– between 3 and 6 months	1,830	2,588	2,958
– between 6 and 12 months	4,470	4,859	3,278
– over 12 months	41,891	42,309	4,942
	<u>48,191</u>	<u>49,756</u>	<u>11,178</u>
Percentage:			
– between 3 and 6 months	0.43%	0.47%	0.46%
– between 6 and 12 months	1.05%	0.89%	0.51%
– over 12 months	9.84%	7.71%	0.77%
	<u>11.32%</u>	<u>9.07%</u>	<u>1.74%</u>
To reconcile with overdue loans in note 3F to accountants' report			
Gross advances to customers which have been overdue for more than 3 months	48,191	49,756	11,178
Add: overdue within 3 months	3,235	5,610	5,215
Less: loan provision for overdue loans	(31,512)	(33,156)	(2,757)
Overdue loans disclosed in note 3F to accountant's report	<u>19,914</u>	<u>22,210</u>	<u>13,636</u>
Gross advances to banks and other financial institutions which have been overdue for:			
– between 3 and 6 months	—	50	—
– between 6 and 12 months	—	57	—
– over 12 months	2,697	1,978	1,004
	<u>2,697</u>	<u>2,085</u>	<u>1,004</u>
Percentage:			
– between 3 and 6 months	—	0.05%	—
– between 6 and 12 months	—	0.06%	—
– over 12 months	2.75%	1.96%	1.12%
	<u>2.75%</u>	<u>2.07%</u>	<u>1.12%</u>
To reconcile with overdue loans in note 3F to accountants' report			
Gross advances to banks and other financial institutions which have been overdue for more than 3 months	2,697	2,085	1,004
Less: provision	(701)	(968)	(1,004)
Overdue advances to banks and other financial institutions disclosed in note 3F to accountants' report	<u>1,996</u>	<u>1,117</u>	<u>—</u>

(ii) Overdue advances are reconciled to individually identified loans with impairment as follows:

Group and Bank

	As at 31 December		
	2002	2003	2004
Advances to customers			
Advances which are overdue for more than three months	48,191	49,756	11,178
Add: advances which are not overdue or overdue for three months or less	24,669	16,846	9,788
Less: advances which are overdue for more than three months but considered unimpaired	(1,754)	(1,403)	(1,773)
Individually identified loans with impairment	<u>71,106</u>	<u>65,199</u>	<u>19,193</u>

(iii) Overdue advances are reconciled to individually identified loans with impairment as follows:

Group and Bank

	As at 31 December		
	2002	2003	2004
Advances to banks and financial institutions			
Advances which are overdue for more than three months	2,697	2,085	1,004
Add: advances which are not overdue or overdue for three months or less	—	—	—
Less: advances which are overdue for more than three months but considered unimpaired	—	—	—
Individually identified loans with impairment	<u>2,697</u>	<u>2,085</u>	<u>1,004</u>

(iv) Overdue and individually identified loans and advances to customers with impairment by geographical area

Group and Bank

	As at 31 December		
	2002	2003	2004
Domestic regions			
– Northern China	6,839	6,110	2,872
– North-eastern China	18,658	17,911	3,865
– Eastern China	19,386	16,014	5,885
– Central & Southern China	16,591	15,738	3,744
– Western China	10,399	10,201	3,805
	<u>71,873</u>	<u>65,974</u>	<u>20,171</u>
Hong Kong and overseas countries	1,258	699	795
	<u>73,131</u>	<u>66,673</u>	<u>20,966</u>

*(b) Investment securities – available-for-sale***Group and Bank**

	<u>As at 31 December</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Overdue for:			
– three months or less	10	—	41
– between 3 and 6 months	—	16	—
– between 6 and 12 months	—	—	—
– over 12 months	12	15	31
	<u>22</u>	<u>31</u>	<u>72</u>

*(c) Foreclosed assets***Group and Bank**

	<u>As at 31 December</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Foreclosed assets	<u>7,381</u>	<u>7,143</u>	<u>6,832</u>