

Supplementary Unaudited Financial Information

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

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1 CAPITAL ADEQUACY AND LIQUIDITY RATIOS

Group

	As at 31 December	
	2006	2005
Capital adequacy ratio	10.83%	11.20%
Liquidity ratios:		
RMB current assets to RMB current liabilities	73.89%	63.23%
Foreign currency current assets to foreign currency current liabilities	140.37%	110.74%

The above capital adequacy and liquidity ratios are calculated in accordance with the formula promulgated by the PBOC and CBRC and based on the unaudited PRC GAAP statements.

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2 COMPONENTS OF CAPITAL BASE AFTER DEDUCTIONS

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

Group

	As at 31 December	
	2006	2005
Core capital:		
Paid up ordinary share capital	45,804	45,934
Reserves	19,355	18,100
Profit and loss account	5,330	8,113
Minority interest	58	70
	70,547	72,217
Supplementary capital:		
Reserves on revaluation of land and interests in land	4,100	—
Impairment allowances for impaired assets and regulatory reserves.	11,865	10,935
Term subordinated debt	7,200	9,600
Reserve-net profit of overseas branches retained	—	—
	23,165	20,535
Gross value of supplementary capital	23,165	20,535
Eligible value of supplementary capital	23,165	20,535
Total capital base before deductions	93,712	92,752
Deductions:		
Unconsolidated equity investments	(1,809)	(1,743)
Total capital base after deductions	91,903	91,009

The “Unconsolidated equity investments” is calculated 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.

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3 CURRENCY CONCENTRATIONS

Group

	US Dollars	HK Dollars	Others	Total
As at 31 December 2006				
Spot assets	98,270	53,534	20,618	172,422
Spot liabilities	(86,405)	(61,936)	(17,164)	(165,505)
Forward purchases	48,670	3,445	6,256	58,371
Forward sales	(39,416)	(2,185)	(9,026)	(50,627)
Net long/(short) position	21,119	(7,142)	684	14,661
Net structural position	3,574	4,529	499	8,602
As at 31 December 2005				
Spot assets	110,330	46,980	20,069	177,379
Spot liabilities	(94,289)	(51,526)	(18,360)	(164,175)
Forward purchases	16,052	264	4,994	21,310
Forward sales	(14,821)	(337)	(7,630)	(22,788)
Net options position	282	—	—	282
Net long/(short) position	17,554	(4,619)	(927)	12,008
Net structural position	3,704	5,838	356	9,898

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.

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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 2006				
Asia Pacific excluding Mainland China	31,644	4,189	38,704	74,537
— of which attributed to Hong Kong	3,116	4,036	36,849	44,001
North and South America	14,396	1,226	4,743	20,365
Europe	33,489	211	217	33,917
	79,529	5,626	43,664	128,819
As at 31 December 2005				
Asia Pacific excluding Mainland China	35,778	3,317	35,187	74,282
— of which attributed to Hong Kong	2,815	3,146	31,530	37,491
North and South America	11,447	1,462	4,351	17,260
Europe	37,036	196	162	37,394
	84,261	4,975	39,700	128,936

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5 OVERDUE AND RESCHEDULED ASSETS

(a) Advances

(i) Gross amount of overdue loans

Group and Bank

	As at 31 December	
	2006	2005
Gross advances to customers which have been overdue for:		
— within 3 months	5,546	5,250
— between 3 and 6 months	2,180	3,331
— between 6 and 12 months	3,595	4,912
— over 12 months	12,594	9,024
	23,915	22,517
Percentage:		
— within 3 months	0.60%	0.68%
— between 3 and 6 months	0.24%	0.43%
— between 6 and 12 months	0.38%	0.64%
— over 12 months	1.36%	1.17%
	2.58%	2.92%

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5 OVERDUE AND RESCHEDULED ASSETS (Continued)

(a) Advances (Continued)

(i) Gross amount of overdue loans (Continued)

Group and Bank

	As at 31 December	
	2006	2005
Gross advances to banks and other financial institutions which have been overdue for:		
— within 3 months	—	—
— between 3 and 6 months	—	—
— between 6 and 12 months	—	—
— over 12 months	626	743
	626	743
Percentage:		
— within 3 months	—	—
— between 3 and 6 months	—	—
— between 6 and 12 months	—	—
— over 12 months	0.52%	0.43%
	0.52%	0.43%

* Included in the gross overdue advances to customers as at 31 December 2006, there are trade bills which have been overdue for:

	31 December 2006
— within 3 months	106
— between 3 and 6 months	44
— between 6 and 12 months	79
— over 12 months	228
	457

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5 OVERDUE AND RESCHEDULED ASSETS (Continued)

(a) Advances (Continued)

(ii) Overdue loans and advances to customers with impairment by geographical area

Group and Bank

	As at 31 December	
	2006	2005
Domestic regions		
— Northern China	3,724	2,748
— North-eastern China	4,774	3,646
— Eastern China	6,866	4,708
— Central & Southern China	4,823	5,710
— Western China	3,346	5,090
	23,533	21,902
Hong Kong and overseas countries	382	615
	23,915	22,517

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5 OVERDUE AND RESCHEDULED ASSETS (Continued)

(a) Advances (Continued)

(iii) Overdue and rescheduled loans

Group and Bank

	As at 31 December 2006
Total rescheduled loans and advances to customers	6,902
Less: total overdue rescheduled loans and advances to customers	5,082
Total normal rescheduled loans and advances to customers	1,820
Percentage of normal part in total rescheduled loans	26%

(b) Foreclosed assets

Group and Bank

	As at 31 December	
	2006	2005
Foreclosed assets	4,050	5,483

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6 BUSINESS SEGMENT INFORMATION

Group

	Year ended 31 December 2006				Total
	Corporate	Retail	Treasury	Others and unallocated	
External net interest income/(expense)	24,348	(868)	16,807	(484)	39,803
Internal net interest income/(expense)	3,286	10,871	(14,157)	—	—
Net interest income	27,634	10,003	2,650	(484)	39,803
Net fee and commission income	1,148	1,387	3	335	2,873
Dividend income	—	—	77	46	123
Gains less losses arising from trading activities	737	(7)	(760)	(27)	(57)
Gains less losses arising from investment securities	—	—	58	—	58
Other operating income	173	9	8	848	1,038
Impairment losses on loans and advances	(5,295)	(360)	117	—	(5,538)
Other operating expenses					
— depreciation and amortisation	—	—	—	(2,640)	(2,640)
— others	(8,923)	(6,162)	(505)	(2,665)	(18,255)
Operating profit before tax	15,474	4,870	1,648	(4,587)	17,405
Capital expenditure	—	—	—	3,810	3,810
Segment assets	736,304	133,685	815,778	33,716	1,719,483
Segment liabilities	(917,168)	(498,912)	(193,933)	(18,975)	(1,628,988)