

Reconciliation of Net Assets and Net Profit from PRC GAAP to IFRS

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

Under PRC GAAP, the Bank has implemented <Financial instrument recognition and measurement (draft)> since 1 January 2006. The Bank retrospectively restated the 2005 fiscal year's financial reports under the PRC GAAP due to this accounting policy change. The reconciliation of net assets and net profits from PRC GAAP to IFRS after the restatement is listed as follows:

	Net Assets		Net Profit	
	31 December 2006	31 December 2005 Restated	Year end 31 December 2006	Year end 31 December 2005 Restated
PRC GAAP figures	88,694	81,739	12,706	9,458
Adjustments for accounting standard differences:				
1. Revaluation surplus from fixed assets and investment properties	4,784	4,623	(420)	(206)
2. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation	(548)	(760)	212	206
3. Consolidated adjustments	(1,059)	(1,207)	70	19
4. Deferred taxes	(1,257)	(1,105)	(111)	188
5. Translation difference on foreign currency net position	—	—	(184)	(371)
6. Others	(119)	(144)	(4)	(51)
IFRS figures	90,495	83,146	12,269	9,243

EXPLANATION OF THE ADJUSTMENTS FOR ACCOUNTING STANDARD DIFFERENCES:

1. Revaluation surplus/deficit from fixed assets and investment properties

In 2006, the Company carried out a further revaluation exercise on fixed assets and investment properties for the purpose of the preparation of its IFRS financial statements, which was not a statutory valuation. The valuation surplus/deficit arising from the 2006 valuation have been reflected in IFRS accounts, while it is not recognised in PRC GAAP financial statements. The differences arising from fixed assets and investment property valuation exercise in 2006 has been reflected as an accounting standard difference accordingly. Such difference will be depreciated during the remaining beneficiary period.

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2. Differences arising from the transfer of the non-performing loans to China Cinda Asset Management Corporation

On 27 June 2004, the Company disposed of non-performing loans (the “**Transferred Loans**”) to China Cinda Asset Management Corporation in exchange for a bill issued by the People’s Bank of China (the “**Bills**”). The amount of carrying value of the Transferred Loans in excess of the fair value of the Bills, net of tax, was offset against capital surplus in its IFRS financial statements. The discount will be amortized and recorded as interest income during the remaining beneficiary period of the Bills. But under PRC GAAP the Bills were not required to assess for impairment and was carried at face value.

3. Consolidation adjustments

Subsidiaries, which are those companies and other entities (including Special Purpose Entities) in which the Group, directly or indirectly, has control, are consolidated in the Company’s IFRS financial statements. However, under PRG GAAP, it is allowed not to consolidate subsidiaries which are intended to be disposed of in the near future.

4. Deferred taxes

In both PRC GAAP and IFRS financial statements prepared by the Company, deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Accordingly, all adjustments on accounting standard differences also gave rise to deferred taxation differences.

5. Translation difference on foreign currency net position

Translation difference on foreign currency net position under PRC GAAP is recognized in equity, while under IFRS it is recognized as foreign exchange gain or loss in profit and loss or separate component of equity for those caused by net investment in a foreign operation.

6. Others

All other differences are adjustments with minor amounts.