

## Unaudited Supplementary Financial Information

31 December 2006

(In RMB millions, unless otherwise stated)

**(a) Significant differences between the financial statements prepared under International Financial Reporting Standards (“IFRSs”) and those prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions (2001 version) and other relevant regulations including Caikui (2005) No. 14 “Provisional Guidelines on Recognition and Measurement of Financial Instruments” (“MOF (14)”) issued by the Ministry of Finance of the PRC (the “MOF”), People’s Bank of China (the “PBOC”) and the China Banking Regulatory Commission (“CBRC”) (hereinafter collectively referred to as “PRC GAAP”)**

A reconciliation of differences between the financial statements prepared under PRC GAAP and those prepared in accordance with IFRSs is set out below.

	Notes	2006	2005
Profit for the year attributable to equity holders of the Bank under PRC GAAP		48,719	37,405
Reversal of amortisation of goodwill	(i)	100	150
Recognition of revaluation surplus on disposed assets	(ii)	444	—
Profit for the year attributable to equity holders of the Bank under IFRSs		49,263	37,555
		2006	2005
Equity attributable to equity holders of the Bank under PRC GAAP		466,896	256,947
Reversal of amortisation of goodwill	(i)	371	271
Reversal of revaluation surplus	(ii)	(803)	(1,379)
Equity attributable to equity holders of the Bank under IFRSs		466,464	255,839

Notes:

**(i) Reversal of amortisation of goodwill**

In accordance with the relevant provisions under IFRSs, goodwill is assessed for impairment annually and not amortised. Accordingly, the amortisation of goodwill under PRC GAAP is reversed in the financial statements prepared in accordance with IFRSs.

**(ii) Reversal of revaluation surplus and recognition of revaluation surplus on disposed assets**

In the financial statements prepared under PRC GAAP, the Group performed the revaluation on certain assets (including equity investments, repossessed assets and intangible assets, etc.) pursuant to the relevant requirements, with the revaluation surplus recognised in the capital reserve. Under IFRSs, such assets are carried at cost and the revaluation surplus was reversed accordingly. In relation to the disposal of such assets, adjustments on reversal of recognition of valuation surplus were made accordingly. In respect of the available-for-sale equity investments among these assets, when they meet specific conditions to be measured at the fair value under IFRS, the adjustments of reversal of valuation surplus were made to the investment revaluation reserve accordingly.

**(b) Liquidity ratios**

	2006	2005
RMB current assets to RMB current liabilities	48.87%	48.89%
Foreign currency current assets to foreign currency current liabilities	84.75%	83.42%

The above liquidity ratios as at 31 December 2005 are calculated in accordance with the formula promulgated by the PBOC and the CBRC and are based on the financial data and information included in the statutory financial statements of the Group and has not reflected the impact of MOF (14) issued by the MOF. The ratios as at 31 December 2006 are calculated based on the financial information prepared in accordance with PRC GAAP as defined in (a) above.

### (c) Capital adequacy ratio

The Group calculates and reports the capital adequacy ratios in accordance with the guidelines "Regulation Governing Capital Adequacy of Commercial Banks" (Order (2004) No. 2) which were promulgated by the CBRC on 23 February 2004, and implemented on 1 March 2004, together with the "Notice from China Banking Regulatory Commission on Guidance for the Calculation of Capital Requirement of Market Risks for Commercial Banks", issued by the CBRC on 30 December 2004. The requirements pursuant to these guidelines may have significant differences compared to those applicable in Hong Kong or other countries.

The capital adequacy ratios and the relate components of the Group as at 31 December 2005 are arrived at using the financial data and information in the statutory financial statements of the Group and has not reflected the impact of MOF (14) issued by the MOF. The capital adequacy ratios and the related components of the Group as of 31 December 2006 are computed in accordance with PRC GAAP as defined in (a) above.

	2006	2005
Core capital adequacy ratio	12.23%	8.11%
Capital adequacy ratio	14.05%	9.89%
Components of capital base		
Core capital:		
Share capital	334,019	248,000
Reserves	125,523	5,444
Minority interests	4,537	4,037
Total core capital	464,079	257,481
Supplementary capital:		
General provisions for doubtful debts	33,645	21,846
Reserve for net change in the fair value of available-for-sale investments	1,005	—
Subordinated bonds	35,000	35,000
Total supplementary capital	69,650	56,846
Total capital base before deductions	533,729	314,327
Deductions:		
Unconsolidated equity investments <sup>(1)</sup>	(1,729)	(1,176)
Goodwill <sup>(1)</sup>	(1,195)	(1,307)
Net capital base	530,805	311,844
Core capital base after deductions <sup>(1)</sup>	462,019	255,586
Risk weighted assets and market risk capital adjustment	3,779,170	3,152,206

(1) Pursuant to the relevant regulations, the core capital base after deductions was derived by applying 50% and 100% of deductions in the unconsolidated equity investments and goodwill, respectively.

### (d) Currency concentrations other than RMB

	US\$	HK\$	Others	Total
As of 31 December 2006				
Spot assets	506,727	118,226	42,491	667,444
Spot liabilities	(290,574)	(102,135)	(32,010)	(424,719)
Forward purchases	73,699	20,541	16,982	111,222
Forward sales	(105,079)	(18,280)	(21,943)	(145,302)
Net option position	(93,387)	(24)	(289)	(93,700)
Net long position	91,386	18,328	5,231	114,945
Net structural position	423	294	81	798
As of 31 December 2005				
Spot assets	338,484	104,162	49,237	491,883
Spot liabilities	(187,573)	(86,517)	(39,423)	(313,513)
Forward purchases	55,263	6,205	13,015	74,483
Forward sales	(29,459)	(21,156)	(19,931)	(70,546)
Net option position	(96,925)	6	31	(96,888)
Net long position	79,790	2,700	2,929	85,419
Net structural position	327	261	288	876

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (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; and
- investments in overseas subsidiaries and related companies.

### (e) 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 with central banks, balances and placements with banks and other financial institutions, and investment securities.

Cross-border claims have been disclosed by country or geographical area as required by the HKMA. 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 transfers are 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.

	Banks and other financial institutions	Public sector entities	Others	Total
As of 31 December 2006:				
Asia Pacific excluding Mainland China	103,751	1,018	78,519	183,288
— of which attributed to Hong Kong	24,570	854	68,951	94,375
Europe	124,621	123	13,067	137,811
North and South America	46,247	74,264	24,207	144,718
	274,619	75,405	115,793	465,817
As of 31 December 2005:				
Asia Pacific excluding Mainland China	51,106	1,599	72,182	124,887
— of which attributed to Hong Kong	8,829	1,203	61,313	71,345
Europe	76,471	162	6,068	82,701
North and South America	32,766	119	7,207	40,092
	160,343	1,880	85,457	247,680

## (f) Overdue Assets

### (i) Overdue loans and advances to customers

	2006	2005
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	22,815	36,284
Between 6 and 12 months	16,620	36,478
Over 12 months	94,181	80,989
Total	133,616	153,751
As a percentage of total gross loans and advances to customers:		
Between 3 and 6 months	0.6%	1.1%
Between 6 and 12 months	0.5%	1.1%
Over 12 months	2.6%	2.5%
Total	3.7%	4.7%

The above analysis includes loans and advances overdue for more than three months as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

**(ii) Overdue placements with banks and other financial institutions**

	2006	2005
Gross placements with banks and other financial institutions of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	—	65
Over 12 months	213	332
<b>Total</b>	<b>213</b>	<b>397</b>
As a percentage of total gross placements with banks and other financial institutions:		
Between 3 and 6 months	—	0.1%
Over 12 months	0.1%	0.3%
<b>Total</b>	<b>0.1%</b>	<b>0.4%</b>

**(g) Overdue loans and advances to customers by geographical segments**

	2006	2005
Yangtze River Delta	10,137	12,401
Pearl River Delta	22,699	23,601
Bohai Rim	27,396	28,882
Central	18,202	20,827
Western	25,234	28,847
Northeastern	27,949	37,353
Head Office	665	616
Overseas	1,334	1,224
<b>Total</b>	<b>133,616</b>	<b>153,751</b>

The above analysis includes loans and advances overdue for more than three months as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of these loans would be classified as overdue.

**(h) Rescheduled loans and advances to customers**

	2006		2005	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	59,592	1.6%	70,988	2.2%
Less: Rescheduled loans and advances overdue more than three months	48,540	1.3%	58,625	1.8%
Rescheduled loans and advances overdue less than three months	11,052	0.3%	12,363	0.4%