

SUPPLEMENTARY FINANCIAL INFORMATION

1. Capital adequacy ratio

	At 30 June 2005	At 31 December 2004
Capital adequacy ratio	15.74%	16.14%
Adjusted capital adequacy ratio	15.71%	16.13%

The CAR is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Third Schedule of the Banking Ordinance.

The adjusted CAR taking into account market risk exposure as at the balance sheet date is computed in accordance with the guideline on "Maintenance of Adequate Capital Against Market Risks" under the Supervisory Policy Manual issued by the HKMA and on the same basis as for the unadjusted CAR.

2. Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratios as at 30 June 2005 and 31 December 2004 and reported to the HKMA is analysed as follows:

	At 30 June 2005 HK\$'m	At 31 December 2004 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	16,006	12,408
Profit and loss account	3,395	4,491
Minority interests	981	963
	63,425	60,905
Supplementary capital:		
Reserve for revaluation of securities not held for trading purposes	(82)	–
Collective loan impairment allowances	1,222	–
Regulatory reserve	3,584	–
General provisions for doubtful debts	–	5,049
Total capital base	68,149	65,954
Deduction from total capital base:		
Shareholdings in subsidiaries or holding company	(337)	(351)
Exposures to connected companies	(617)	(845)
Equity investments of 20% or more in non-subsidiary companies	(60)	(60)
Investments in the capital of other banks or other financial institutions	(5)	(1)
	(1,019)	(1,257)
Total capital base after deductions	67,130	64,697

3. Liquidity ratio

	Half-year ended 30 June 2005	Half-year ended 30 June 2004
Average liquidity ratio	39.15%	34.64%

The average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the period.

The liquidity ratio is computed on the solo basis (the Hong Kong offices only) and is in accordance with the Fourth Schedule of the Banking Ordinance.

4. Currency concentrations

The following is a summary of the major foreign currency exposures arising from trading, non-trading and structural positions. The net options position is calculated based on the worst-case approach set out in the prudential return "Foreign Currency Position" issued by the HKMA.

	At 30 June 2005							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Australian Euro	Macau Dollars	Renminbi Pataca	Yuan	Others	Total
Spot assets	207,530	8,408	12,469	19,431	175	22,344	10,551	280,908
Spot liabilities	(163,269)	(2,954)	(7,176)	(22,610)	(11)	(21,663)	(31,667)	(249,350)
Forward purchases	128,522	19,274	12,380	12,294	-	89	55,872	228,431
Forward sales	(173,409)	(24,751)	(17,899)	(9,182)	-	(34)	(34,897)	(260,172)
Net options position	78	(8)	85	189	-	-	47	391
Net long/(short) position	(548)	(31)	(141)	122	164	736	(94)	208
Net structural position	111	-	-	-	-	226	-	337

	At 31 December 2004							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Australian Euro	Macau Dollars	Renminbi Pataca	Yuan	Others	Total
Spot assets	228,593	21,041	16,581	21,532	181	13,129	14,189	315,246
Spot liabilities	(161,784)	(2,893)	(7,086)	(23,701)	(2)	(12,282)	(28,630)	(236,378)
Forward purchases	112,090	12,153	12,348	14,892	-	92	38,179	189,754
Forward sales	(178,122)	(30,661)	(21,972)	(12,945)	-	(54)	(23,902)	(267,656)
Net options position	(319)	8	32	53	-	-	238	12
Net long/(short) position	458	(352)	(97)	(169)	179	885	74	978
Net structural position	-	-	-	-	-	94	-	94

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5. Segmental information

(a) Sectoral analysis of gross advances to customers

The information concerning gross advances to customers has been analysed into loans used inside or outside Hong Kong by industry sectors of the borrowers as follows:

	At 30 June 2005 HK\$'m	At 31 December 2004 HK\$'m
Loans for use in Hong Kong		
Industrial, commercial and financial		
– Property development	22,614	21,323
– Property investment	52,475	47,809
– Financial concerns	12,097	9,956
– Stockbrokers	156	124
– Wholesale and retail trade	14,946	15,243
– Manufacturing	13,468	11,767
– Transport and transport equipment	11,429	11,777
– Others	29,040	30,035
Individuals		
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	16,768	17,430
– Loans for purchase of other residential properties	103,411	95,615
– Credit card advances	4,349	4,256
– Others	8,003	7,386
Total loans for use in Hong Kong	288,756	272,721
Trade finance	16,049	13,279
Loans for use outside Hong Kong	32,849	27,226
Gross advances to customers	337,654	313,226

5. Segmental information (continued)

(b) *Geographical analysis of gross advances to customers and overdue advances*

The following geographical analysis of gross advances to customers and advances overdue for over three months is based on the location of the counterparties, after taking into account the transfer of risk in respect of such advances where appropriate.

(i) **Gross advances to customers**

	At 30 June 2005 HK\$'m	At 31 December 2004 HK\$'m
Hong Kong	306,360	286,768
Mainland China	15,132	11,166
Others	16,162	15,292
	337,654	313,226

(ii) **Advances overdue for over three months**

	At 30 June 2005 HK\$'m	At 31 December 2004 HK\$'m
Hong Kong	3,885	5,066
Mainland China	185	264
Others	35	39
	4,105	5,369

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6. Cross-border claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place 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. Only regions constituting 10% or more of the aggregate cross-border claims are analysed by geographical areas and disclosed as follows:

	Banks and other financial institutions HK\$'m	Public sector entities HK\$'m	Others HK\$'m	Total HK\$'m
At 30 June 2005				
Asia, other than Hong Kong				
– Mainland China	36,692	23,257	16,090	76,039
– Others	57,611	993	9,148	67,752
	94,303	24,250	25,238	143,791
North America				
– United States	5,851	26,467	25,374	57,692
– Others	8,908	380	19	9,307
	14,759	26,847	25,393	66,999
Western Europe				
– Germany	30,776	–	3,322	34,098
– Others	135,015	737	15,265	151,017
	165,791	737	18,587	185,115
Total	274,853	51,834	69,218	395,905

6. Cross-border claims (continued)

	Banks and other financial institutions HK\$'m	Public sector entities HK\$'m	Others HK\$'m	Total HK\$'m
At 31 December 2004				
Asia, other than Hong Kong				
– Mainland China	48,234	14,338	12,103	74,675
– Others	54,183	915	7,142	62,240
	102,417	15,253	19,245	136,915
North America				
– United States	6,043	26,051	15,886	47,980
– Others	11,731	395	16	12,142
	17,774	26,446	15,902	60,122
Western Europe				
– Germany	40,020	–	4,415	44,435
– Others	147,474	743	15,238	163,455
	187,494	743	19,653	207,890
Total	307,685	42,442	54,800	404,927

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7. Overdue and rescheduled assets
(a) Gross amount of overdue loans

	At 30 June 2005		At 31 December 2004	
	Amount HK\$'m	% of gross advances to customers	Amount HK\$'m	% of gross advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	659	0.20%	489	0.16%
– one year or less but over six months	310	0.09%	395	0.13%
– over one year	3,136	0.93%	4,485	1.43%
Advances overdue for over three months	4,105	1.22%	5,369	1.72%

As at 30 June 2005 and 31 December 2004, there were no advances to banks and other financial institutions that were overdue for over three months.

(b) Rescheduled advances to customers

	At 30 June 2005		At 31 December 2004	
	Amount HK\$'m	% of gross advances to customers	Amount HK\$'m	% of gross advances to customers
Rescheduled advances to customers	419	0.12%	974	0.31%

Advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is overdue and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously outside the approved limit that was advised to the borrower.

7. Overdue and rescheduled assets (continued)

(b) Rescheduled advances to customers (continued)

Rescheduled advances are those advances that have been restructured or renegotiated because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are non-commercial. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in overdue advances. Rescheduled advances are stated before deduction of loan impairment allowances.

As at 30 June 2005 and 31 December 2004, there were no rescheduled advances to banks and other financial institutions.

8. Repossessed assets held

	At 30 June 2005 HK\$'m	At 31 December 2004 HK\$'m
Estimated market value of repossessed assets held	595	1,185

Repossessed assets are properties or securities in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the borrowers concerned) for release in full or in part of the obligations of the borrowers.