

## SUPPLEMENTARY FINANCIAL INFORMATION

### 1. Capital adequacy ratio

	<b>At 30 June 2006</b>	At 31 December 2005
Capital adequacy ratio	<b>14.61%</b>	15.37%
Adjusted capital adequacy ratio	<b>14.59%</b>	15.33%

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 2006 and 31 December 2005 and reported to the HKMA is analysed as follows:

	<b>At 30 June 2006 HK\$'m</b>	At 31 December 2005 HK\$'m
Core capital:		
Paid up ordinary share capital	<b>43,043</b>	43,043
Reserves	<b>19,948</b>	16,096
Profit and loss account	<b>2,040</b>	4,065
Minority interests	<b>1,048</b>	1,009
	<b>66,079</b>	64,213
Supplementary capital:		
Reserves on revaluation of holding of securities not held for trading purposes	<b>(1,149)</b>	(311)
Collective loan impairment allowances	<b>502</b>	731
Regulatory reserve	<b>3,642</b>	3,571
Total capital base	<b>69,074</b>	68,204
Deduction from total capital base:		
Shareholdings in subsidiaries or holding company	<b>(319)</b>	(337)
Exposures to connected companies	<b>(593)</b>	(597)
Equity investments of 20% or more in non-subsidiary companies	<b>(50)</b>	(64)
Investments in the capital of other banks or other financial institutions	<b>(3)</b>	(6)
	<b>(965)</b>	(1,004)
Total capital base after deductions	<b>68,109</b>	67,200



### 3. Liquidity ratio

	Half-year ended 30 June 2006	Half-year ended 30 June 2005
Average liquidity ratio	50.30%	39.15%

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 2006							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Australian Euro	Macau Dollars	Renminbi Pataca	Yuan	Others	Total
Spot assets	268,814	3,825	12,524	22,222	192	26,448	15,812	349,837
Spot liabilities	(174,835)	(5,900)	(6,804)	(24,844)	(21)	(25,730)	(34,252)	(272,386)
Forward purchases	122,850	12,891	14,449	10,327	-	4	63,790	224,311
Forward sales	(210,123)	(10,853)	(20,290)	(7,758)	-	-	(45,542)	(294,566)
Net options position	1,686	(21)	(151)	(9)	-	-	2	1,507
Net long/(short) position	8,392	(58)	(272)	(62)	171	722	(190)	8,703
Net structural position	83	-	-	-	-	288	-	371

	At 31 December 2005							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Australian Euro	Macau Dollars	Renminbi Pataca	Yuan	Others	Total
Spot assets	240,430	2,835	12,011	21,345	198	24,955	13,448	315,222
Spot liabilities	(165,815)	(6,230)	(7,417)	(25,837)	(9)	(24,323)	(33,006)	(262,637)
Forward purchases	123,450	11,936	15,117	13,897	-	2	59,196	223,598
Forward sales	(194,998)	(8,545)	(19,794)	(9,452)	-	(7)	(39,668)	(272,464)
Net options position	836	-	4	91	-	-	(153)	778
Net long/(short) position	3,903	(4)	(79)	44	189	627	(183)	4,497
Net structural position	109	-	-	-	-	234	-	343



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:

	<b>At 30 June 2006 HK\$'m</b>	At 31 December 2005 HK\$'m
Loans for use in Hong Kong		
Industrial, commercial and financial		
– Property development	<b>19,922</b>	19,665
– Property investment	<b>54,042</b>	52,703
– Financial concerns	<b>12,141</b>	11,873
– Stockbrokers	<b>124</b>	167
– Wholesale and retail trade	<b>12,538</b>	13,258
– Manufacturing	<b>15,875</b>	13,710
– Transport and transport equipment	<b>11,660</b>	12,046
– Others	<b>26,998</b>	28,481
Individuals		
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	<b>15,049</b>	15,983
– Loans for purchase of other residential properties	<b>94,450</b>	99,179
– Credit card advances	<b>4,540</b>	4,668
– Others	<b>8,258</b>	8,102
Total loans for use in Hong Kong	<b>275,597</b>	279,835
Trade finance	<b>15,809</b>	16,080
Loans for use outside Hong Kong	<b>41,802</b>	38,108
Gross advances to customers	<b>333,208</b>	334,023



## 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

	<b>At 30 June 2006 HK\$'m</b>	At 31 December 2005 HK\$'m
Hong Kong	<b>296,454</b>	300,465
Mainland China	<b>18,825</b>	17,743
Others	<b>17,929</b>	15,815
	<b>333,208</b>	334,023

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

	<b>At 30 June 2006 HK\$'m</b>	At 31 December 2005 HK\$'m
Hong Kong	<b>2,469</b>	2,742
Mainland China	<b>41</b>	72
Others	<b>29</b>	31
	<b>2,539</b>	2,845

## 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:

	<b>Banks and other financial institutions HK\$'m</b>	<b>Public sector entities HK\$'m</b>	<b>Others HK\$'m</b>	<b>Total HK\$'m</b>
<b>At 30 June 2006</b>				
Asia, other than Hong Kong				
– Mainland China	31,527	24,304	17,501	73,332
– Others	57,994	615	14,812	73,421
	<b>89,521</b>	<b>24,919</b>	<b>32,313</b>	<b>146,753</b>
North America				
– United States	6,745	30,900	61,900	99,545
– Others	8,999	278	33	9,310
	<b>15,744</b>	<b>31,178</b>	<b>61,933</b>	<b>108,855</b>
Western Europe				
– Germany	29,696	–	3,186	32,882
– Others	136,672	115	16,669	153,456
	<b>166,368</b>	<b>115</b>	<b>19,855</b>	<b>186,338</b>
Total	<b>271,633</b>	<b>56,212</b>	<b>114,101</b>	<b>441,946</b>



## 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 2005				
Asia, other than Hong Kong				
– Mainland China	33,928	25,116	15,818	74,862
– Others	63,952	851	10,936	75,739
	97,880	25,967	26,754	150,601
North America				
– United States	8,775	29,856	36,241	74,872
– Others	12,372	296	19	12,687
	21,147	30,152	36,260	87,559
Western Europe				
– Germany	32,925	–	3,399	36,324
– Others	119,850	412	15,830	136,092
	152,775	412	19,229	172,416
Total	271,802	56,531	82,243	410,576

7. Overdue and rescheduled assets

(a) Gross amount of overdue loans

	At 30 June 2006		At 31 December 2005	
	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	312	0.09%	329	0.10%
– one year or less but over six months	228	0.07%	595	0.18%
– over one year	1,999	0.60%	1,921	0.57%
Advances overdue for over three months	2,539	0.76%	2,845	0.85%

As at 30 June 2006 and 31 December 2005, there were no advances to banks and other financial institutions that were overdue for over three months.

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.

(b) Rescheduled advances to customers

	At 30 June 2006		At 31 December 2005	
	Amount HK\$m	% of gross advances to customers	Amount HK\$m	% of gross advances to customers
Rescheduled advances to customers	278	0.08%	310	0.09%



## 7. Overdue and rescheduled assets (continued)

### (b) Rescheduled advances to customers (continued)

As at 30 June 2006 and 31 December 2005, there were no rescheduled advances to banks and other financial institutions.

Rescheduled advances are those advances that have been restructured or renegotiated because of 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.

## 8. Repossessed assets held

	<b>At 30 June 2006 HK\$'m</b>	At 31 December 2005 HK\$'m
Estimated market value of repossessed assets held	<b>475</b>	431

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.