

SUPPLEMENTARY FINANCIAL INFORMATION

1. Capital adequacy ratio

	At 30 June 2007	Restated At 31 December 2006
Capital adequacy ratio	14.29%	15.72%
Core capital ratio	13.63%	14.94%

The above capital ratios are 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 Banking (Capital) Rules effective from 1 January 2007. Comparative ratios at 31 December 2006 are restated accordingly. Differences between the basis of consolidation for accounting and regulatory purposes are described in "Appendix – Subsidiaries of the Company" on page 115.

2. Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratio as at 30 June 2007 and 31 December 2006 and reported to the HKMA is analysed as follows:

	At 30 June 2007 HK\$'m	Restated At 31 December 2006 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	23,788	20,225
Profit and loss account	2,549	3,986
Minority interests	1,217	1,181
	70,597	68,435
Deductions from core capital	(473)	(486)
Core capital after deductions	70,124	67,949
Supplementary capital:		
Reserves on revaluation of holdings of available-for-sale securities	(818)	(140)
Reserves on revaluation of holdings of securities designated at fair value through profit or loss	3	17
Collective loan impairment allowances	663	556
Regulatory reserve	3,972	3,621
	3,820	4,054
Deductions from supplementary capital	(473)	(486)
Supplementary capital after deductions	3,347	3,568
Total capital base after deductions	73,471	71,517

Subsidiaries which are not included in the consolidation group for the calculation of capital adequacy ratios are denoted in "Appendix – Subsidiaries of the Company" on page 115. Investment costs in such subsidiaries are deducted from the capital base.

3. Liquidity ratio

	Half-year ended 30 June 2007	Half-year ended 30 June 2006
Average liquidity ratio	50.08%	50.30%

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 on the basis of delta-weighted positions of all foreign exchange options contracts.

	At 30 June 2007							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Euro	Australian Dollars	Pound Sterling	Renminbi Yuan	Others	Total
Spot assets	289,258	2,383	12,330	25,142	5,700	34,821	5,916	375,550
Spot liabilities	(195,800)	(5,404)	(7,159)	(15,291)	(12,647)	(34,201)	(15,027)	(285,529)
Forward purchases	170,368	19,386	24,582	21,570	31,601	16,152	36,059	319,718
Forward sales	(258,291)	(16,404)	(29,526)	(31,406)	(24,650)	(15,796)	(27,104)	(403,177)
Net options position	1,244	3	4	(2)	13	–	(15)	1,247
Net long/(short) position	6,779	(36)	231	13	17	976	(171)	7,809
Net structural position	83	–	–	–	–	319	–	402

	At 31 December 2006							
	Equivalent in million of HK\$							
	US Dollars	Japanese Yen	Euro	Australian Dollars	Pound Sterling	Renminbi Yuan	Others	Total
Spot assets	280,010	2,538	12,922	22,642	6,150	28,521	7,357	360,140
Spot liabilities	(189,454)	(4,346)	(7,485)	(18,126)	(12,217)	(27,729)	(18,185)	(277,542)
Forward purchases	126,163	12,131	15,728	8,009	26,833	1,173	39,626	229,663
Forward sales	(211,509)	(10,313)	(21,195)	(12,533)	(20,786)	(1,098)	(28,627)	(306,061)
Net options position	1,340	(12)	19	(24)	(14)	–	6	1,315
Net long/(short) position	6,550	(2)	(11)	(32)	(34)	867	177	7,515
Net structural position	83	–	–	–	–	309	–	392

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 2007					
	% Covered by collateral		Classified and impaired	Overdue	Individually assessed impairment allowances	Collectively assessed impairment allowances
	Gross advances HK\$'m	or other security				
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	20,993	24.65%	18	21	3	30
– Property investment	59,897	81.95%	266	352	18	93
– Financial concerns	11,565	7.50%	–	4	–	22
– Stockbrokers	8,192	5.72%	–	–	–	11
– Wholesale and retail trade	12,891	60.28%	193	318	53	20
– Manufacturing	13,801	55.65%	119	340	30	25
– Transport and transport equipment	20,030	11.96%	3	12	1	28
– Recreational activities	23	91.59%	–	1	–	–
– Information technology	2,679	30.33%	2	–	–	4
– Others	26,639	30.56%	86	236	30	44
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	14,115	99.62%	136	286	14	19
– Loans for purchase of other residential properties	100,117	99.79%	304	642	13	133
– Credit card advances	5,578	–	23	206	–	70
– Others	8,603	91.61%	104	161	41	11
Total loans for use in Hong Kong	305,123	66.95%	1,254	2,579	203	510
Trade finance	21,598	35.88%	152	442	105	35
Loans for use outside Hong Kong	66,090	21.77%	212	233	165	118
Gross advances to customers	392,811	57.64%	1,618	3,254	473	663

5. Segmental information (continued)

(a) Sectoral analysis of gross advances to customers (continued)

	At 31 December 2006					
	Gross advances HK\$'m	% Covered by collateral or other security	Classified and impaired HK\$'m	Overdue HK\$'m	Individually assessed impairment allowances HK\$'m	Collectively assessed impairment allowances HK\$'m
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	19,290	19.33%	24	26	4	26
– Property investment	55,943	85.49%	320	460	28	80
– Financial concerns	10,721	8.48%	4	9	–	19
– Stockbrokers	65	25.65%	–	–	–	–
– Wholesale and retail trade	13,019	61.87%	248	358	61	19
– Manufacturing	12,417	54.27%	154	315	42	20
– Transport and transport equipment	15,548	17.55%	4	13	2	21
– Recreational activities	33	91.36%	–	–	–	–
– Information technology	1,586	57.12%	–	1	–	2
– Others	20,158	33.13%	148	267	29	30
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	14,236	99.14%	141	313	20	19
– Loans for purchase of other residential properties	96,953	99.11%	359	694	23	123
– Credit card advances	5,490	–	20	232	–	71
– Others	8,831	89.66%	156	239	57	11
Total loans for use in Hong Kong	274,290	71.36%	1,578	2,927	266	441
Trade finance	16,865	40.98%	157	359	98	26
Loans for use outside Hong Kong	55,935	24.30%	253	279	182	90
Gross advances to customers	347,090	62.30%	1,988	3,565	546	557

5. Segmental information (continued)

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

The following geographical analysis of gross advances to customers, overdue advances and classified and impaired advances to customers 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 2007 HK\$'m	At 31 December 2006 HK\$'m
Hong Kong	346,078	306,911
Mainland China	28,605	22,984
Others	18,128	17,195
	392,811	347,090

(ii) Overdue advances

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Hong Kong	3,021	3,221
Mainland China	209	266
Others	24	78
	3,254	3,565
Individually assessed loan impairment allowances in respect of the overdue advances		
Hong Kong	363	436
Mainland China	24	11
Others	4	10
	391	457
Collectively assessed loan impairment allowances in respect of the overdue advances		
Hong Kong	35	28
Mainland China	12	11
	47	39

5. Segmental information (continued)

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

(iii) Classified and impaired advances

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Hong Kong	1,536	1,909
Mainland China	59	52
Others	23	27
	1,618	1,988
Individually assessed loan impairment allowances in respect of the classified and impaired advances		
Hong Kong	441	526
Mainland China	26	13
Others	6	7
	473	546
Collectively assessed loan impairment allowances in respect of the classified and impaired advances		
Hong Kong	17	15
Mainland China	6	8
	23	23

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.

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 2007				
Asia, other than Hong Kong				
– Mainland China	34,871	29,395	21,903	86,169
– Others	63,807	523	20,126	84,456
	98,678	29,918	42,029	170,625
North America				
– United States	9,244	31,721	75,723	116,688
– Others	8,956	251	32	9,239
	18,200	31,972	75,755	125,927
Western Europe				
– Germany	47,688	–	2,641	50,329
– Others	157,627	160	15,966	173,753
	205,315	160	18,607	224,082
Total	322,193	62,050	136,391	520,634

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 2006				
Asia, other than Hong Kong				
– Mainland China	37,202	25,052	18,486	80,740
– Others	67,088	569	16,710	84,367
	104,290	25,621	35,196	165,107
North America				
– United States	8,923	25,232	74,712	108,867
– Others	12,391	101	133	12,625
	21,314	25,333	74,845	121,492
Western Europe				
– Germany	38,204	–	3,620	41,824
– Others	149,973	133	16,819	166,925
	188,177	133	20,439	208,749
Total	313,781	51,087	130,480	495,348

7. Non-bank Mainland China exposures

Non-bank counterparties are identified in accordance with the definitions set out in the prudential return “Quarterly Analysis of Loans and Advances and Provisions” issued by the HKMA. Exposures in the Mainland China to non-bank counterparties are summarised as follows:

	At 30 June 2007			
	On-balance sheet exposure HK\$'m	Off-balance sheet exposure HK\$'m	Total exposure HK\$'m	Individually assessed impairment allowances HK\$'m
Mainland China entities	53,284	35,524	88,808	149
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	20,202	14,371	34,573	24
Other non-bank Mainland China exposures	10,440	5,630	16,070	11
	83,926	55,525	139,451	184

7. Non-bank Mainland China exposures (continued)

	At 31 December 2006			
	On-balance sheet exposure HK\$'m	Off-balance sheet exposure HK\$'m	Total exposure HK\$'m	Individually assessed impairment allowances HK\$'m
Mainland China entities	46,516	32,102	78,618	183
Companies and individuals outside Mainland China where the credit is granted for use in Mainland China	15,998	10,830	26,828	16
Other non-bank Mainland China exposures	9,943	4,941	14,884	18
	72,457	47,873	120,330	217

8. Overdue and rescheduled assets

(a) Gross amount of advances overdue more than three months

	At 30 June 2007		At 31 December 2006	
	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	234	0.06%	318	0.09%
– one year or less but over six months	165	0.04%	202	0.06%
– over one year	671	0.17%	838	0.24%
Advances overdue for over three months	1,070	0.27%	1,358	0.39%
Individually assessed loan impairment allowances in respect of the advances overdue for over three months	298		438	

As at 30 June 2007 and 31 December 2006, there were no advances to banks and other financial institutions that were overdue for over three months.

8. Overdue and rescheduled assets (continued)

(b) Collateral held against advances overdue more than three months

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
In respect of the above advances overdue for over three months		
Current market value of collateral held against the covered portion	2,086	2,175
Covered portion	856	987
Uncovered portion	214	371

Collateral held against such loans is principally represented by charges over business assets such as premises, inventories and trade receivables for corporate loans and mortgages over residential properties for personal loans.

(c) Rescheduled advances to customers

	At 30 June 2007		At 31 December 2006	
	Amount HK\$'m	% of gross advances to customers	Amount HK\$'m	% of gross advances to customers
Rescheduled advances to customers	150	0.04%	216	0.06%

As at 30 June 2007 and 31 December 2006, 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.

9. Repossessed assets held

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Estimated market value of repossessed assets held	275	309

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.