

Supplementary Financial Information

1. Capital adequacy ratio

	At 30 June 2004	At 31 December 2003
Capital adequacy ratio	16.52%	15.11%
Adjusted capital adequacy ratio	16.51%	15.21%

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 2004 and 31 December 2003 and reported to the HKMA is analysed as follows:

	At 30 June 2004 HK\$m	At 31 December 2003 HK\$m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	12,543	10,468
Profit and loss account	1,999	2,327
Minority interests	949	917
	58,534	56,755
Supplementary capital:		
General provisions for doubtful debts	4,702	4,997
Total capital base	63,236	61,752
Deduction from total capital base :		
Shareholdings in subsidiaries or holding company	(351)	(449)
Exposures to connected companies	(780)	(872)
Equity investments of 20% or more in non-subsidiary companies	(107)	(107)
Investments in the capital of other banks or other financial institutions	(1)	(1)
	(1,239)	(1,429)
Total capital base after deductions	61,997	60,323

Supplementary Financial Information (continued)

3. Liquidity ratio

	Half-year ended 30 June 2004	Half-year ended 30 June 2003
Average liquidity ratio	34.64%	37.93%

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 2004							
	Equivalent in millions of HK\$							
	US Dollars	Euro	Canadian Dollars	Australian Dollars	New Zealand Dollars	Renminbi Yuan	Others	Total
Spot assets	174,627	17,324	7,182	26,202	4,476	7,765	27,983	265,559
Spot liabilities	(151,001)	(12,299)	(6,770)	(27,737)	(11,396)	(7,121)	(17,121)	(233,445)
Forward purchases	116,929	12,595	2,342	12,433	10,086	8	30,416	184,809
Forward sales	(138,410)	(17,787)	(2,760)	(10,829)	(3,140)	(2)	(40,985)	(213,913)
Net options position	69	(24)	(15)	(135)	24	—	97	16
Net long/(short) position	2,214	(191)	(21)	(66)	50	650	390	3,026

	At 31 December 2003							
	Equivalent in millions of HK\$							
	US Dollars	Euro	Canadian Dollars	Australian Dollars	New Zealand Dollars	Renminbi Yuan	Others	Total
Spot assets	164,349	21,619	6,358	22,007	7,295	1,144	25,847	248,619
Spot liabilities	(142,187)	(11,011)	(9,978)	(28,336)	(13,579)	(563)	(19,155)	(224,809)
Forward purchases	125,005	13,252	4,619	20,289	10,701	—	35,530	209,396
Forward sales	(149,283)	(24,134)	(1,080)	(14,112)	(4,665)	—	(42,074)	(235,348)
Net options position	(974)	59	(11)	837	92	—	14	17
Net long/(short) position	(3,090)	(215)	(92)	685	(156)	581	162	(2,125)

There were no significant net structural positions for the Group as at 30 June 2004 and 31 December 2003.

Supplementary Financial Information (continued)

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 2004 HK\$'m	At 31 December 2003 HK\$'m
Loans for use in Hong Kong		
Industrial, commercial and financial		
- Property development	19,104	23,162
- Property investment	47,311	46,754
- Financial concerns	10,269	6,589
- Stockbrokers	84	41
- Wholesale and retail trade	18,292	18,858
- Manufacturing	11,967	11,342
- Transport and transport equipment	9,962	12,385
- Others	32,371	38,529
Individuals		
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	17,694	18,244
- Loans for purchase of other residential properties	94,850	90,003
- Credit card advances	3,845	3,756
- Others	7,032	7,387
Total loans for use in Hong Kong	272,781	277,050
Trade finance	9,460	9,851
Loans for use outside Hong Kong	26,272	21,681
Gross advances to customers	308,513	308,582

Supplementary Financial Information (continued)

5. Segmental information (continued)

(b) Geographical analysis of gross advances to customers, overdue advances and non-performing loans

The following geographical analysis of gross advances to customers, advances overdue for over three months and NPLs 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 2004 HK\$m	At 31 December 2003 HK\$m
Hong Kong	282,741	289,129
Mainland China	10,906	8,434
Others	14,866	11,019
	308,513	308,582

(ii) Advances overdue for over three months

	At 30 June 2004 HK\$m	At 31 December 2003 HK\$m
Hong Kong	7,674	11,066
Mainland China	322	469
Others	82	69
	8,078	11,604

(iii) Non-performing loans

	At 30 June 2004 HK\$m	At 31 December 2003 HK\$m
Hong Kong	12,076	16,801
Mainland China	493	887
Others	104	144
	12,673	17,832

Supplementary Financial Information (continued)

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 2004				
Asia, other than Hong Kong				
- Mainland China	45,881	8,787	11,866	66,534
- Others	55,495	929	5,974	62,398
	101,376	9,716	17,840	128,932
North America				
- United States	5,561	19,372	8,438	33,371
- Others	11,774	2,752	16	14,542
	17,335	22,124	8,454	47,913
Western Europe				
- Germany	32,363	—	4,625	36,988
- Others	108,469	699	14,192	123,360
	140,832	699	18,817	160,348
Total	259,543	32,539	45,111	337,193

Supplementary Financial Information (continued)

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 2003				
Asia, other than Hong Kong				
- Mainland China	45,698	2,157	8,507	56,362
- Others	49,750	1,180	4,981	55,911
	95,448	3,337	13,488	112,273
North America				
- United States	7,571	14,850	18,130	40,551
- Others	15,013	2,997	39	18,049
	22,584	17,847	18,169	58,600
Western Europe				
- Germany	38,563	—	5,359	43,922
- Others	117,451	1,470	13,949	132,870
	156,014	1,470	19,308	176,792
Total	274,046	22,654	50,965	347,665

Supplementary Financial Information (continued)

7. Overdue and rescheduled assets

(a) Overdue and non-performing loans

	At 30 June 2004		At 31 December 2003	
	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	735	0.24%	977	0.31%
- one year or less but over six months	850	0.28%	2,521	0.82%
- over one year	6,493	2.10%	8,106	2.63%
Advances overdue for over three months	8,078	2.62%	11,604	3.76%
Less:				
Amount overdue for over three months and on which interest is still being accrued	(94)	(0.03%)	(67)	(0.02%)
Add:				
Amount overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased				
- included in rescheduled advances	458	0.15%	798	0.26%
- others	4,231	1.37%	5,497	1.78%
Gross non-performing loans	12,673	4.11%	17,832	5.78%

At 30 June 2004 and 31 December 2003, there were no advances to banks and other financial institutions that were overdue for over three months.

(b) Other overdue assets

	At 30 June 2004 HK\$m	At 31 December 2003 HK\$m
Overdue for:		
- six months or less but over three months	2	2
- over one year	2	2
	4	4

As at 30 June 2004 and 31 December 2003, other overdue assets represented the accrued interest.

Supplementary Financial Information (continued)

7. Overdue and rescheduled assets (continued)

(c) Rescheduled advances to customers

	At 30 June 2004		At 31 December 2003	
	Amount HK\$m	% of gross advances to customers	Amount HK\$m	% of gross advances to customers
Rescheduled advances to customers	518	0.17%	851	0.28%

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.

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 after deduction of accrued interest that has been charged to customers but accrued to a suspense account and before deduction of specific provisions.

As at 30 June 2004 and 31 December 2003, there were no rescheduled advances to banks and other financial institutions.

8. Repossessed assets held

	At 30 June 2004 HK\$m	At 31 December 2003 HK\$m
Reposessed assets held	1,399	1,757

Reposessed 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. Upon repossession of the assets, the related loans and advances will continue to be recorded as loans and advances until all collection efforts have been exhausted and the reposessed assets are realised. Specific provisions will be made after taking into account the market value of the reposessed assets which are yet to be disposed. Upon disposal of the reposessed assets, any specific provisions previously made will be utilised to write off the loans and advances.