

Supplementary Financial Information

Average Balance Sheets and Yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2006 and 31 December 2005. For the purpose of the following table, average balances have generally been determined on the basis of daily balances, except for certain

categories, for which balances have been determined less frequently.

The Company does not believe that the information presented in this table would be significantly different had such balances been determined on a daily basis.

	2006			
	Average non interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %
Assets				
Cash and balances at central banks	4,736	959	29	3.0
Gross loans and advances to banks	1,715	23,528	1,177	5.0
Gross loans and advances to customers	308	128,278	9,049	7.1
Impairment provisions against loans and advances to banks and customers	(1,723)	–	–	–
Investment securities	628	58,721	2,732	4.7
Property, plant and equipment and intangible assets	6,610	–	–	–
Prepayments, accrued income and other assets	26,186	–	–	–
Total average assets	38,460	211,486	12,987	6.1

	2005			
	Average non interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %
Assets				
Cash and balances at central banks	4,240	611	8	1.3
Gross loans and advances to banks	560	25,510	852	3.3
Gross loans and advances to customers	754	101,310	6,151	6.1
Impairment provisions against loans and advances to banks and customers	(1,700)	–	–	–
Investment securities	671	43,191	1,739	4.0
Property, plant and equipment and intangible assets	4,990	–	–	–
Prepayments, accrued income and other assets	20,474	–	–	–
Total average assets	29,989	170,662	8,750	5.1

Supplementary Financial Information continued

Average Balance Sheets and Yield continued

	2006			
	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	13,607	–	–	–
Interest bearing current and demand accounts	–	44,470	982	2.2
Savings deposits	135	8,423	164	1.9
Time and other deposits	632	98,501	4,684	4.8
Debt securities in issue	2,326	24,610	1,186	4.8
Accruals, deferred income and other liabilities	31,238	–	–	–
Subordinated liabilities and other borrowed funds	–	12,711	643	5.1
Minority interests	420	–	–	–
Shareholders' funds	14,369	–	–	–
Total average liabilities and shareholders' funds	62,727	188,715	7,659	4.1
Net yield				2.1
Net interest margin				2.5

	2005			
	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %
Liabilities				
Non-interest bearing current and demand accounts	12,976	–	–	–
Interest bearing current and demand accounts	–	32,460	516	1.6
Savings deposits	123	7,400	97	1.3
Time and other deposits	859	78,199	2,577	3.3
Debt securities in issue	(109)	22,504	703	3.1
Accruals, deferred income and other liabilities	23,881	–	–	–
Subordinated liabilities and other borrowed funds	–	10,802	522	4.8
Minority interests	227	–	–	–
Shareholders' funds	9,956	–	–	–
Total average liabilities and shareholders' funds	47,913	151,365	4,415	2.9
Net yield				2.2
Net interest margin				2.5

Volume and Price Variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the periods presented. Volume and rate variances have been determined

based on movements in average balances and average exchange rates over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to changes in volume.

	2006 versus 2005		Net increase/(decrease) in interest \$million
	Increase/(decrease) in interest due to:		
	Volume \$million	Rate \$million	
Interest earning assets			
Cash and unrestricted balances at central banks	11	10	21
Loans and advances to banks	(99)	424	325
Loans and advances to customers	1,893	1,006	2,899
Investment securities	724	268	992
Total interest earning assets	2,529	1,708	4,237
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	92	28	120
Interest bearing current and demand accounts	288	125	413
Savings deposits	20	47	67
Time and other deposits	843	1,318	2,161
Debt securities in issue	101	382	483
Total interest bearing liabilities	1,344	1,900	3,244

	2005 versus 2004		Net increase/(decrease) in interest \$million
	Increase/(decrease) in interest due to:		
	Volume \$million	Rate \$million	
Interest earning assets			
Cash and unrestricted balances at central banks	5	–	5
Treasury bills and other eligible bills	232	(17)	215
Loans and advances to banks	221	140	361
Loans and advances to customers	2,078	510	2,588
Investment securities	47	222	269
Total interest earning assets	2,583	855	3,438
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	231	(72)	159
Interest bearing current and demand accounts	100	225	325
Savings deposits	24	5	29
Time and other deposits	686	562	1,248
Debt securities in issue	350	174	524
Total interest bearing liabilities	1,391	894	2,285

Supplementary Financial Information continued

Continuing Connected Transactions

As noted in the Directors' Report on page 54 the Group is required to include in this Annual Report information regarding certain transactions with Temasek.

During the period from 20 July 2006 to 31 December 2006, members of the Group have entered into the following non-exempt continuing connected transactions (as defined by

reference to the HK Listing Rules) with Temasek or its associates in the ordinary and usual course of its business and on normal commercial terms (and with reference to prevailing market rates as applicable) or in accordance with the practice commonly adopted in the market (where applicable). Additional details are provided on page 54 of the Report of the Directors.

Transaction Category	Notes	20 July 2006 – 31 December 2006*			
		Aggregate notional value/ principal amounts during the period \$million	Notional value of outstanding transactions or principal amounts as at 31 December 2006 \$million	Total number of transactions during the period	Total number of Temasek associates with whom transactions were entered
Foreign exchange	i	15,916	1,119	2,650	44
Derivatives	ii	8,827	2,555	755	16
Capital markets dealing	iii	709	–	125	13
Financial assistance by non-banking licensed subsidiaries	iv	14	14	1	1

Transaction Category	Notes	20 July 2006 – 31 December 2006*	
		Gross fee revenue to the Group \$million	Total number of Temasek associates with whom transactions were entered
Securities services	v	1.8	13
Cash management services	vi	1.2	93
Trade services	vii	0.5	19
Advisory and arranging services	viii	0.2	2

* This data reflects transactions with Temasek or its associates (as defined by the HK Listing Rules) which the Group was able to identify within the extensive Temasek group of companies as at 15 December 2006.

- i Foreign Exchange includes spot, forward and foreign exchange swap transactions.
- ii Derivatives includes over-the-counter derivatives (including swaps, forwards, options and combinations thereof) on currencies, interest rates, commodities, credit risk, bonds, equities and any other classes of underlying prices, rates, indices or instruments.
- iii Capital Markets Dealing includes sales, purchases and participations of securities, loans and other financial instruments.
- iv Financial Assistance by non-banking subsidiaries includes the granting of credit, lending money, providing security for or guaranteeing a loan and transactions of a similar nature or directly related to the same, by members of the Group which are not licensed as banking companies which would otherwise have allowed them to benefit from the exemption for such transactions as is available to licensed banking companies under the Hong Kong Listing Rules.
- v Securities Services includes custody, escrow agency, receiving bank, trustee, transfer agency, paying agency and funds administration services, derivatives clearing services and facilities for custody clients to lend their securities.
- vi Cash Management Services includes account services (payments and collections), liquidity management services and clearing services.
- vii Trade Services includes trade services not involving credit exposure, such as export bills collection, advising of letters of credit, document preparation, processing and checking services and safekeeping of documents.
- viii Advisory and Arranging Services includes corporate finance advisory services, arranging and advising on loans from third party lenders and public and private placements of securities (where the Group does not participate as lender, underwriter or subscriber).

Five Year Summary

	2006 \$million	2005 \$million	*2004 \$million	**2003 \$million	**2002 \$million
Operating profit before impairment losses and taxation	3,824	3,050	2,533	2,097	1,982
Impairment losses on loans and advances and other credit risk provisions	(629)	(319)	(214)	(536)	(712)
Other impairment	(15)	(50)	(68)	(11)	(8)
Profit before taxation	3,178	2,681	2,251	1,550	1,262
Profit attributable to shareholders	2,278	1,946	1,578	1,024	844
Loans and advances to banks	19,724	21,701	16,687	13,354	16,001
Loans and advances to customers	139,330	111,791	72,019	59,744	57,009
Total assets	266,047	215,096	147,124	120,202	112,953
Deposits by banks	26,233	18,834	15,162	10,924	10,850
Customer accounts	147,382	119,931	85,093	73,767	71,626
Shareholders' equity	16,853	11,882	9,105	7,529	7,270
Total capital resources ¹	30,096	22,682	16,837	14,110	12,974
Information per ordinary share					
Basic earnings per share	169.0c	148.5c	129.6c	82.0c	57.6c
Normalised earning per share ²	170.7c	153.7c	124.6c	90.1c	74.9c
Dividends per share	71.04c	64.0c	57.5c	52.0c	47.0c
Net asset value per share	1,208.5c	897.3c	719.0c	588.0c	569.8c
Ratios					
Post-tax return on ordinary shareholders' equity-normalised basis ²	16.9%	18.0%	18.6%	15.7%	13.4%
Basic cost-income ratio	55.6%	55.5%	52.9%	55.8%	56.3%
Cost-income ratio – normalised basis ²	55.2%	54.5%	54.0%	53.6%	53.6%
Capital ratios:					
Tier 1 capital	8.4%	7.7%	8.6%	8.6%	8.3%
Total capital	14.3%	13.6%	15.0%	14.5%	14.2%

¹ Shareholders' funds, minority interests and subordinated loan capital.

² Results on a normalised basis reflect the Group's results, excluding profits and losses of a capital nature, charges for restructuring and profits and losses on repurchase of share capital.

* IFRS (excluding IAS 32 and 39).

** UK GAAP.