



中信嘉華銀行有限公司 CITIC KA WAH BANK LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

ANNOUNCEMENT OF 2006 INTERIM RESULTS

SUMMARY OF RESULTS

The Board of Directors of CITIC Ka Wah Bank Limited (the "Bank") is pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2006 and the Group's state of affairs as at that date together with the comparative figures for the corresponding period in the previous year as follows:

(A) CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		
	2006 Unaudited	2005 Unaudited (restated)	Variance
	HK\$'000	HK\$'000	%
Interest income	1,956,938	1,278,444	53.07
Interest expense	(1,464,780)	(707,930)	106.91
Net interest income	492,158	570,514	(13.73)
Fee and commission income	253,637	199,577	27.09
Fee and commission expense	(6,916)	(5,920)	16.82
Net fee and commission income	246,721	193,657	27.40
Net trading income	201,678	96,782	108.38
Net income from financial instruments designated at fair value through profit or loss	30,844	53,047	(41.86)
Net hedging income	1,465	91	1,509.89
Other operating income	15,470	11,442	35.20
Operating income	988,336	925,533	6.79
Operating expenses	(508,660)	(477,590)	6.51
	479,676	447,943	7.08
Impairment losses (charged)/written back on loans and advances	(13,118)	96,709	(113.56)
Impairment losses written back on held-to-maturity investments	146	2,254	(93.52)
Impairment losses on properties	–	(354)	N/A
Impairment losses (charged)/written back	(12,972)	98,609	(113.15)
Net profit on disposal of available-for-sale securities	18,870	–	N/A
Operating profit	485,574	546,552	(11.16)
Loss on disposal of associates	–	(6,155)	N/A
Net (loss)/profit on disposal of property and equipment	(47,008)	243,545	(119.30)
Revaluation gain on investment properties	6,867	–	N/A
Share of profits less losses of associates	–	(10,501)	N/A
Profit before taxation	445,433	773,441	(42.41)
Income tax	(80,965)	(89,937)	(9.98)
Profit after taxation	364,468	683,504	(46.68)
Dividends payable to equity shareholders of the Bank attributable to the period:			
Interim dividends declared	246,000	373,253	

(B) CONSOLIDATED BALANCE SHEET

	As at 30 June 2006 Unaudited HK\$'000	As at 31 December 2005 Audited HK\$'000	Variance %
Assets			
Cash and balances with banks and other financial institutions	838,456	990,454	(15.35)
Placements with banks and other financial institutions	10,303,993	5,214,691	97.60
Trade bills	372,181	406,364	(8.41)
Trading assets	6,384,732	6,199,473	2.99
Securities designated at fair value through profit or loss	806,580	1,117,542	(27.83)
Advances to customers and other accounts	47,354,621	43,617,341	8.57
Available-for-sale securities	5,870,797	5,864,658	0.10
Held-to-maturity investments	13,237,149	17,194,283	(23.01)
Property and equipment			
– Investment property	168,725	64,994	159.60
– Other property and equipment	940,886	1,102,815	(14.68)
Deferred tax assets	7,122	4,521	57.53
Total assets	86,285,242	81,777,136	5.51
Equity and liabilities			
Deposits and balances of banks and other financial institutions	4,258,309	4,157,446	2.43
Deposits from customers	60,543,910	54,786,566	10.51
Trading liabilities	516,778	661,137	(21.83)
Certificates of deposit issued	6,263,059	7,467,961	(16.13)
Debt securities issued	2,241,122	2,245,435	(0.19)
Current taxation	98,506	53,598	83.79
Deferred tax liabilities	41,477	45,466	(8.77)
Other liabilities	1,034,903	1,087,382	(4.83)
Loan capital	4,275,599	4,352,351	(1.76)
Total liabilities	79,273,663	74,857,342	5.90
Equity			
Share capital	3,083,341	3,083,341	–
Reserves	3,928,238	3,836,453	2.39
Total equity attributable to equity shareholders of the Bank	7,011,579	6,919,794	1.33
Total equity and liabilities	86,285,242	81,777,136	5.51

(C) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June			
	2006		2005	
	Unaudited		Unaudited	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total equity at 1 January:				
Attributable to equity shareholders of the Bank		6,919,794		6,460,986
Net income recognized directly in equity:				
Exchange differences on translation of:				
– financial statements of overseas branches, subsidiaries and associates	2,052		(964)	
– on disposal of an associate	–		627	
		2,052		(337)
Surplus on revaluation of other premises upon reclassification to investment properties, net of deferred tax		–		17,031
Cash flow hedge				
– effective portion of changes in fair value	–		11,869	
– transfer to deferred tax	–		(2,077)	
		–		9,792
Changes in fair value				
– of available-for-sale securities	(36,923)		(32,103)	
– transfer to deferred tax	6,462		5,624	
		(30,461)		(26,479)
Net profit for the period		364,468		683,504
Total recognized income and expense for the period		336,059		683,511
Dividends declared during the period		(246,000)		(373,253)
Movements in equity arising from capital transactions:				
Equity settled share-based transactions, net of tax		1,726		2,221
Total equity at 30 June		7,011,579		6,773,465

Notes:

- (1) The financial information in this interim results announcement is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports”, issued by the Hong Kong Institute of Certified Public Accountants. It does not constitute statutory financial statements.
- (2) The financial information relating to the financial year ended 31 December 2005 that is included in this interim results announcement as being previously reported information does not constitute the Bank’s statutory financial statements for that financial year but is derived from those financial statements, as amended for new and revised accounting standards that require prior period adjustments. Statutory financial statements for the year ended 31 December 2005 are available from the Bank’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 March 2006.
- (3) The interim results announcement has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.
- (4) The provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the period. Taxation for branches and subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(1) Summary of financial position

	As at 30 June 2006	As at 31 December 2005	Variance
	HK\$'000	HK\$'000	%
Advances to customers and trade bills	46,432,130	42,952,278	8.10
Impairment allowances	362,247	409,322	(11.50)
Total assets	86,285,242	81,777,136	5.51
Total deposits	66,806,969	62,254,527	7.31
Total equity attributable to equity shareholders of the Bank	7,011,579	6,919,794	1.33
<i>Financial ratios</i>			
Unadjusted capital adequacy ratio*	15.22%	16.44%	
Adjusted capital adequacy ratio**	14.57%	15.66%	
Average liquidity ratio for the period/year ended***	45.72%	51.07%	
Loans to deposits	69.50%	68.99%	
Loans to total assets	53.81%	52.52%	
Cost to income	51.47%	55.24%	
Return on assets	0.93%	1.29%	
Return on average total equity attributable to equity shareholders of the Bank	11.24%	16.23%	

* The unadjusted capital adequacy ratio is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the Hong Kong Monetary Authority (the "HKMA") for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

** The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline, "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA and on the same consolidated basis as for unadjusted capital adequacy ratio.

*** The average liquidity ratio is computed on the consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(2) Advances to customers and other accounts

	As at 30 June 2006	As at 31 December 2005	Variance
	HK\$'000	HK\$'000	%
Gross advances to customers	46,059,949	42,545,914	8.26
Less: Impairment allowances			
– Individually assessed	(113,395)	(114,778)	(1.20)
– Collectively assessed	(248,852)	(294,544)	(15.51)
	45,697,702	42,136,592	
Advances to banks and other financial institutions	389,228	327,521	18.84
Accrued interest and other accounts less impairment allowances	1,267,691	1,153,228	9.93
	47,354,621	43,617,341	8.57

(3) Reserves

	As at 30 June 2006	As at 31 December 2005	Variance
	HK\$'000	HK\$'000	%
Share premium	282,930	282,930	–
General reserve	100,000	100,000	–
Other property revaluation reserve	13,856	13,856	–
Capital reserve	6,589	6,589	–
Fair value reserve	289,112	319,573	(9.53)
Exchange differences reserve	5,628	3,576	57.38
Share option reserve	10,573	8,847	19.51
Retained profits*	3,219,550	3,101,082	3.82
Total	3,928,238	3,836,453	2.39

* The Group complies with Hong Kong Monetary Authority's requirement to maintain minimum impairment allowances in excess of those required under Hong Kong Accounting Standards. As at 30 June 2006, an amount of HK\$322,300,000 (2005: HK\$233,800,000) was included in the retained profits in this respect which was distributable to equity shareholders of the Bank subject to consultation with the Hong Kong Monetary Authority.

(4) Advances to customers analyzed by industry sectors

	As at 30 June 2006		As at 31 December 2005		Variance
	HK\$'000	% on total advances to customers	HK\$'000	% on total advances to customers	%
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	294,287	0.64	324,704	0.76	(9.37)
– Property investment	5,064,323	11.00	5,033,111	11.83	0.62
– Financial concerns	3,066,029	6.65	2,348,129	5.52	30.57
– Stockbrokers	130,782	0.28	45,606	0.11	186.76
– Wholesale and retail trade	2,059,098	4.47	1,946,786	4.58	5.77
– Manufacturing	2,752,262	5.98	2,813,124	6.61	(2.16)
– Transport and transport equipment	4,360,892	9.47	4,280,529	10.06	1.88
– Others	2,508,820	5.44	3,093,252	7.27	(18.89)
Individuals					
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	17,513	0.04	18,409	0.05	(4.87)
– Loans for the purchase of other residential properties	11,565,542	25.11	11,416,704	26.83	1.30
– Credit card advances	491,657	1.07	586,781	1.38	(16.21)
– Others	1,375,968	2.99	1,256,345	2.95	9.52
Trade finance	3,223,079	7.00	2,628,660	6.18	22.61
Loans for use outside Hong Kong	9,149,697	19.86	6,753,774	15.87	35.48
	46,059,949	100.00	42,545,914	100.00	8.26

(5) **Impaired loans and advances to customers**

	As at 30 June 2006	As at 31 December 2005
	HK\$'000	HK\$'000
Gross impaired loans and advances to customers	865,048	803,892
Impairment allowance-individually assessed	(113,395)	(114,778)
	751,653	689,114
As a % of total loans and advances to customers		
– Gross impaired loans and advances	1.88%	1.89%

Impaired loans and advances are mainly individually assessed loans with objective evidence of impairment on an individual basis.

There were no impaired advances to banks and other financial institution as at 30 June 2006 and 31 December 2005.

(6) **Overdue advances to customers**

Overdue advances to customers	As at 30 June 2006		As at 31 December 2005	
	HK\$'000	% on total advances to customers	HK\$'000	% on total advances to customers
The gross amount of advances have been overdue for periods of:				
– 6 months or less but over 3 months	49,141	0.11	40,244	0.09
– 1 year or less but over 6 months	285,615	0.62	82,213	0.19
– over 1 year	635,342	1.38	576,758	1.36
Total	970,098	2.11	699,215	1.64
Secured overdue advances	880,167		640,526	
Unsecured overdue advances	89,931		58,689	
	970,098		699,215	
Market value of collateral held against the secured overdue advances	1,550,516		1,014,444	
Individual impairment allowance made	82,125		58,707	

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 30 June 2006 and 31 December 2005.

(7) **Other overdue assets**

	As at 30 June 2006	As at 31 December 2005
	HK\$'000	HK\$'000
The gross amount of trade bills which has been overdue for:		
– 1 year or less but over 6 months	–	2,725
– over 1 year	1,197	–
	1,197	2,725
Held-to-maturity securities which have been overdue for:		
– over 1 year	15,535	15,510

(8) Rescheduled loans

	As at 30 June 2006		As at 31 December 2005	
	HK\$'000	% on total advances to customers	HK\$'000	% on total advances to customers
Rescheduled loans	14,434	0.03	25,077	0.06

Rescheduled advances are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled advances to customers are stated net of any advances that have subsequently become overdue for over 3 months and reported as overdue advances in note (6).

There were no advances to banks and other financial institutions which were rescheduled as at 30 June 2006 and 31 December 2005.

(9) Repossessed assets

	As at 30 June 2006	As at 31 December 2005
	HK\$'000	HK\$'000
Included in advances to customers and other accounts	182,988	192,128

(10) Off-balance sheet exposures

(i) Contingent liabilities and commitments to extend credit

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	As at 30 June 2006	As at 31 December 2005
	HK\$'000	HK\$'000
Direct credit substitutes	1,384,373	958,516
Trade-related contingencies	1,269,539	1,058,462
Forward forward deposits placed	530,000	–
Other commitments:		
– with an original maturity of under 1 year or which are unconditionally cancellable	13,125,114	12,846,765
– with an original maturity of 1 year and over	1,648,353	350,146
	17,957,379	15,213,889
Credit risk-weighted amounts	1,756,997	991,061

Contingent liabilities and commitments are credit-related instruments which include acceptance, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 100%.

(ii) Notional amounts of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of derivatives entered into by the Group:

	As at 30 June 2006			As at 31 December 2005		
	Trading	Hedging	Total	Trading	Hedging	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange rate contracts						
Forwards	31,028,925	–	31,028,925	18,941,850	–	18,941,850
Swaps	10,977,114	–	10,977,114	11,521,138	–	11,521,138
Options purchased	157,035	–	157,035	91,471	–	91,471
Options written	146,829	–	146,829	84,553	–	84,553
Interest rate contracts						
Forwards and futures	1,635,028	–	1,635,028	3,032,254	–	3,032,254
Swaps	12,377,446	6,819,880	19,197,326	6,897,921	12,074,747	18,972,668
Options purchased	1,116,556	–	1,116,556	1,298,984	–	1,298,984
Options written	1,116,556	–	1,116,556	1,298,984	–	1,298,984
	58,555,489	6,819,880	65,375,369	43,167,155	12,074,747	55,241,902

The above transactions are undertaken by the Group in the foreign exchange, interest rate and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding and do not represent amounts at risk.

Derivatives used for hedging purpose as at 30 June 2006 and 31 December 2005 represented hedging instruments that were qualified for hedging accounting under HKAS 39.

(iii) Fair values and credit risk-weighted amounts of derivatives

	As at 30 June 2006			As at 31 December 2005		
	Fair value		Credit risk-weighted amount	Fair value		Credit risk-weighted amount
	Assets	Liabilities		Assets	Liabilities	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate derivatives	120,882	384,936	62,385	157,286	387,765	74,175
Currency derivatives	113,262	131,842	130,526	70,858	55,468	85,145
	234,144	516,778	192,911	228,144	443,233	159,320

Credit risk-weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance on capital adequacy and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments, and from 0% to 50% for exchange rate, interest rate and other derivatives contracts.

The above derivative assets and liabilities, being the positive or negative marked-to-market value of the respective derivative contracts, represent gross replacement costs, as none of these contracts are subject to any bilateral netting arrangements.

(11) Segmental reporting

(a) By geographical areas

On the basis of the location of the principal operations of the Group or, in the case of the Bank, on the location of the branches responsible for reporting the results or booking the assets, the Group operates predominantly in Hong Kong with over 90% of the Group's operating income, profit before taxation, total assets, total liabilities, contingent liabilities and commitments arising therefrom or booked therein.

	As at 30 June 2006			As at 31 December 2005		
	Advances to customers	Overdue loans and advances	Impaired loans	Advances to customers	Overdue loans and advances	Impaired loans
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	36,832,424	303,342	386,032	34,276,715	233,908	267,297
Mainland China	6,659,096	656,992	469,252	6,429,148	465,307	465,307
USA	1,060,564	–	–	743,396	–	–
Others	1,507,865	9,764	9,764	1,096,655	–	71,288
	46,059,949	970,098	865,048	42,545,914	699,215	803,892

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Overdue loans and advances are loans that have been overdue more than three months.

Impaired loans are individually assessed loans with objective evidence of impairment on an individual basis.

(b) By business segments

The Group is principally engaged in the provision of banking and related financial services. The Group comprises the following main business segments:

Retail banking business:	It mainly comprises deposit account services, residential mortgage, other consumer lendings, credit card services and finance leases.
Wholesale banking business:	It mainly comprises trade financing, syndicated loans and other corporate lendings.
Treasury:	It covers provision of foreign exchange services, money market activities, management of investment securities and central cash management.
Fund investment:	It mainly comprises all fund investments made by the Bank that are managed by external fund managers.
Unallocated:	It mainly comprises the Bank's premises and any items which cannot be reasonably allocated to specific business segments.

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on internal funds transfer pricing mechanism.

Cost allocation is based on the direct costs incurred by the respective business segments and apportionment of overheads on a reasonable basis to the business segments. Rental charges at market rate for usage of bank premises are reflected as inter-segment income for the “unallocated” segment and inter-segment expenses for the respective business segments.

	2006 Profit/ (loss) from ordinary activities before taxation	Six months ended 30 June 2005 Profit from ordinary activities before taxation (restated)	2006 Operating income	2005 Operating income
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retail banking business	188,099	130,272	474,892	398,379
Wholesale banking business	299,791	320,495	393,134	325,031
Treasury	47,971	112,715	90,815	154,709
Fund investment	9,771	34,686	9,771	34,686
Unallocated	(100,199)	175,273	19,724	12,728
	445,433	773,441	988,336	925,533

Profit for the period ended 2005 from “Unallocated” included share of losses of associates amounting to HK\$10,501,000.

Share of an associate’s taxation for the period ended 30 June 2005 was reclassified to share of profits less losses of associates in compliance with HKAS 1.

In 2005, fund investment segment was established and treasury segment has been reallocated among the business segments for internal reporting. The reclassification of the business segments with reference to the Group’s organization and internal reporting structure can provide a better segmental analysis. The comparative figures disclosed in this note have been reclassified accordingly to conform with the new business segments classification.

(12) Capital base after deductions

	As at 30 June 2006 HK\$'000	As at 31 December 2005 HK\$'000
Core capital		
Paid up ordinary share capital	3,083,341	3,083,341
Share premium	282,930	282,930
Reserves	2,782,672	2,811,120
Total core capital	6,148,943	6,177,391
Eligible supplementary capital		
Reserves on revaluation of holding of securities not held for trading purposes	350,971	332,076
Collective impairment allowances for impaired assets and regulatory reserve	571,500	528,790
Perpetual subordinated debt	1,945,210	2,016,390
Term subordinated debt	466,078	467,192
Total eligible supplementary capital	3,333,759	3,344,448
Total capital base before deductions	9,482,702	9,521,839
Deductions from total capital base	(12,156)	(12,156)
Total capital base after deductions	9,470,546	9,509,683

(13) Currency risk

The information concerning the foreign currency exposures of the Group arising from trading, non-trading and structural positions is disclosed as follows. The net options position reported is disclosed as follows. The net options position reported is calculated in accordance with the methods set out in the banking return "Foreign Currency Position" (MA(BS)6) submitted to the HKMA.

Significant foreign currency exposures at the balance sheet date are as follows:

Equivalent in HK\$'000	As at 30 June 2006				As at 31 December 2005			
	US dollars	Renminbi	Other	Total	US dollars	Renminbi	Other	Total
Spot assets	32,699,918	1,085,337	4,054,457	37,839,712	27,583,413	850,714	5,440,145	33,874,272
Spot liabilities	(33,029,463)	(771,347)	(5,656,619)	(39,457,429)	(29,820,124)	(540,794)	(5,080,855)	(35,441,773)
Forward purchases	20,789,836	–	6,184,780	26,974,616	16,617,043	104,658	3,758,734	20,480,435
Forward sales	(20,416,789)	–	(4,586,675)	(25,003,464)	(13,674,662)	(104,573)	(4,122,558)	(17,901,793)
Net options position	1,887	–	(1,887)	–	(179)	–	179	–
Net long/(short) position	45,389	313,990	(5,944)	353,435	705,491	310,005	(4,355)	1,011,141

The net options position is calculated using the model user approach.

(14) Cross-border claims

Cross-border claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate cross-border claims are shown as follows:

	Banks and other financial institutions	Public sector entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2006				
Asia and Pacific excluding Hong Kong	9,387,417	312,438	7,635,760	17,335,615
of which Australia	2,901,205	411	12,975	2,914,591
of which Mainland China	3,322,682	311,242	6,681,479	10,315,403
Caribbean	–	–	4,443,360	4,443,360
of which Cayman Islands	–	–	3,827,131	3,827,131
Western Europe	11,087,671	1,125	4,820,309	15,909,105
of which France	1,462,898	–	777,732	2,240,630
of which Germany	1,827,070	–	3,989	1,831,059
of which Netherlands	872,217	–	766,995	1,639,212
of which Switzerland	1,349,159	–	523,670	1,872,829
of which United Kingdom	2,604,426	332	1,396,648	4,001,406
As at 31 December 2005				
Asia and Pacific excluding Hong Kong	7,553,502	441,975	7,534,359	15,529,836
of which Australia	3,000,177	763	70,118	3,071,058
of which Mainland China	2,425,439	391,052	6,801,933	9,618,424
Caribbean	–	–	4,208,681	4,208,681
of which Cayman Islands	–	–	3,575,271	3,575,271
Western Europe	11,118,604	1,791	4,861,642	15,982,037
of which France	1,257,160	–	812,763	2,069,923
of which Germany	1,423,132	–	113,916	1,537,048
of which Netherlands	1,061,821	–	821,618	1,883,439
of which United Kingdom	2,492,175	623	1,224,905	3,717,703

STATEMENT OF COMPLIANCE

In preparing the interim financial report for the period ended 30 June 2006, the Bank has fully complied with the Guideline “Interim Financial Disclosure by Locally Incorporated Authorized Institutions” under the Supervisory Policy Manual issued by the HKMA.