上海商業銀行
SHANGHAI COMMERCIAL BANK

2013

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

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SMARTBANKING

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股票透支服務



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SHANGHAI COMMERCIAL BANK LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2013

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I PRINCIPAL ACTIVITIES

Shanghai Commercial Bank Limited (the "Bank") and its subsidiary companies (together the "Group") are engaged in the provision of banking and related financial services in Hong Kong, United States, United Kingdom and the People's Republic of China.

The Bank is a financial institution incorporated in Hong Kong. The address of its registered office is 35/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd.

This Group Interim Financial Information Disclosure Statement is presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated, and has been approved for issue by the Board of Directors on 14th August 2013.

II BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

II BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (Continued)

The following is a list of the subsidiaries as at 30th June 2013:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares of HK$100 each	*100%
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares of HK$10,000 each	*60%
Shacom Futures Limited	Hong Kong	Commodities trading Hong Kong	100,000 ordinary shares of HK$100 each	*100%
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares of HK$100 each	*100%
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding British Virgin Islands	2 ordinary shares of US$1 each	*100%
Shacom Property (NY) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	*100%
Shacom Property (CA) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	*100%
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares of HK$1 each	*100%
Infinite Financial Solutions Limited	Hong Kong	I.T. application services provider Hong Kong	500,000 ordinary shares of US$1 each	*80%
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares of HK$1 each	*100%
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	1,000,000 ordinary shares of HK$100 each	*100%
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares of HK$1 each	*100%
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares of HK$100 each	*60%
Right Honour Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	*100%
Glory Step Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%
Silver Wisdom Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%

∗ Shares held directly by the Bank.

II BASIS OF CONSOLIDATION (CONTINUED)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement included the Group's share of the results of the joint ventures, and the consolidated statement of financial position included the Group's share of the net assets of the joint ventures.

III CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30th June 2013 (unaudited) HK$'000**	Six months ended 30th June 2012 (unaudited) HK$'000
Interest income	1a	**1,557,150**	1,478,968
Interest expense	1b	**(486,132)**	(533,539)
Net interest income		**1,071,018**	945,429
Fee and commission income	1c	**369,341**	322,134
Fee and commission expense	1d	**(17,837)**	(18,145)
Net fee and commission income		**351,504**	303,989
Dividend income	2a	**2,363**	26,304
Net trading income	2b	**47,720**	72,780
Net losses from disposal of equipment		**(321)**	(150)
Net gains from disposal of available-for-sale investments		**139,133**	76,965
Other operating income	2c	**31,802**	33,104
Net earned insurance premium	2d	**21,554**	18,800
Net insurance claims incurred and movement in policyholders' liabilities		**(9,835)**	(6,367)
Operating expenses	3	**(556,181)**	(499,871)
(Provision for)/ reversal of impairment losses on loans and advances to customers	4	**(36)**	35,533
Operating profit		**1,098,721**	1,006,516
Share of net profits of joint ventures		**11,863**	21,164
Profit before income tax		**1,110,584**	1,027,680
Income tax expense	5	**(222,194)**	(206,669)
Profit for the period		**888,390**	821,011
Attributable to:			
Equity holders of the Bank		**886,858**	819,414
Non-controlling interests		**1,532**	1,597
		888,390	821,011

IV CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
Profit for the period	**888,390**	821,011
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**13,487**	(5,920)
Net gains/ (losses) on available-for-sale investments		
Fair value changes on available-for-sale investments taken to equity	**(185,730)**	285,708
Exchange differences on translation of available-for-sale investments	**2,345**	(1,984)
Fair value changes transferred to income statement on disposal of available-for-sale investments	**(139,133)**	(76,965)
Deferred income tax	**53,349**	(34,144)
Share of investment revaluation reserve of joint ventures	**(137)**	117
Total items that may be reclassified subsequently to profit or loss	**(255,819)**	166,812
Total comprehensive income for the period	**632,571**	987,823
Attributable to:		
Equity holders of the Bank	**631,187**	985,960
Non-controlling interests	**1,384**	1,863
	632,571	987,823

V CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30th June 2013 (unaudited) HK$'000**	31st December 2012 (audited) HK$'000
ASSETS			
Cash and balances with banks	6	**26,160,780**	29,889,669
Placements with and loans and advances to banks	7	**19,601,443**	19,627,668
Loans and advances to customers	8	**58,563,467**	53,715,110
Financial assets held for trading		**360,934**	349,763
Derivative financial instruments	9b	**86,440**	51,446
Investment securities:			
- Available-for-sale		**25,296,625**	26,958,980
- Held-to-maturity		**2,499,211**	2,496,830
Investments in joint ventures		**226,490**	219,865
Properties and equipment	10	**2,369,953**	2,339,324
Investment properties	11	**107,400**	137,145
Deferred income tax assets	13	**36,880**	45,487
Other assets		**1,182,484**	1,355,881
TOTAL ASSETS		**136,492,107**	137,187,168
LIABILITIES			
Deposits and balances from banks		**6,820,644**	5,545,795
Deposits from customers	12	**108,565,950**	110,681,915
Derivative financial instruments	9b	**84,666**	39,891
Other liabilities		**1,483,449**	1,257,107
Provisions		**65,314**	87,309
Current income tax liabilities		**199,611**	56,762
Deferred income tax liabilities	13	**147,323**	205,410
TOTAL LIABILITIES		**117,366,957**	117,874,189
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital		**2,000,000**	2,000,000
Retained earnings			
- Proposed final dividend		**-**	820,000
- Others		**8,353,946**	7,465,990
Other reserves	14	**8,708,499**	8,965,268
		19,062,445	19,251,258
Non-controlling interests in equity		**62,705**	61,721
TOTAL EQUITY		**19,125,150**	19,312,979
TOTAL EQUITY AND LIABILITIES		**136,492,107**	137,187,168

VI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders			Non-controlling interests	Total equity
	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
Balance at 1st January 2012	2,000,000	8,493,399	7,529,090	58,563	18,081,052
Profit for the period	-	-	819,414	1,597	821,011
Other comprehensive income					
Fair value gains/ (losses), net of tax:					
- available-for-sale investments	-	251,522	-	42	251,564
Currency translation differences	-	(5,248)	(2,656)	-	(7,904)
Share of investment revaluation reserve of joint ventures	-	117	-	-	117
Realised on disposal of available-for-sale investments	-	(77,189)	-	224	(76,965)
Total other comprehensive income	-	169,202	(2,656)	266	166,812
Dividend relating to 2011	-	-	(860,000)	(880)	(860,880)
Balance at 30th June 2012 (unaudited)	2,000,000	8,662,601	7,485,848	59,546	18,207,995
Balance at 1st January 2013	**2,000,000**	**8,965,268**	**8,285,990**	**61,721**	**19,312,979**
Profit for the period	**-**	**-**	**886,858**	**1,532**	**888,390**
Other comprehensive income					
Fair value gains/ (losses), net of tax:					
- available-for-sale investments	**-**	**(132,048)**	**-**	**(333)**	**(132,381)**
Currency translation differences	**-**	**13,630**	**2,202**	**-**	**15,832**
Share of investment revaluation reserve of joint ventures	**-**	**(137)**	**-**	**-**	**(137)**
Realised on disposal of available-for-sale investments	**-**	**(139,318)**	**-**	**185**	**(139,133)**
Total other comprehensive income	**-**	**(257,873)**	**2,202**	**(148)**	**(255,819)**
Other transfer	**-**	**1,104**	**(1,104)**	**-**	**-**
Dividend relating to 2012	**-**	**-**	**(820,000)**	**(400)**	**(820,400)**
Balance at 30th June 2013 (unaudited)	**2,000,000**	**8,708,499**	**8,353,946**	**62,705**	**19,125,150**

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

1 Net interest income and net fee and commission income

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
(a) Interest income		
Cash and balances with banks	**321,134**	302,890
Investment securities		
- Available-for-sale	**317,484**	335,618
- Held-to-maturity	**15,502**	21,065
Loans and advances to customers	**898,377**	814,743
Others	**4,653**	4,652
	1,557,150	1,478,968
Included within interest income		
Interest income on listed investments	**132,624**	163,993
Interest income on unlisted investments	**200,362**	192,690
Interest income accrued on impaired financial assets	**4,277**	6,002
(b) Interest expense		
Deposits and balances from bank	**15,502**	9,291
Deposits from customers	**468,608**	522,480
Others	**2,022**	1,768
	486,132	533,539

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

1 Net interest income and net fee and commission income (Continued)

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
(c) Fee and commission income		
Commissions from bills	**57,476**	58,618
Nominees, custodian and securities brokerage commissions	**117,895**	91,697
Commissions from wealth management products	**42,685**	33,901
Commissions from remittance	**25,855**	26,112
Facility fees	**53,919**	44,257
Fees from credit cards	**24,245**	23,639
Commissions from retail banking	**20,939**	21,924
Commissions from insurance	**21,500**	16,425
Commissions from loans and advances	**2,599**	3,715
Trust and other commissions	**2,228**	1,846
	369,341	322,134
(d) Fee and commission expense		
Commissions on bills	**1,713**	1,616
Nominees, custodian and securities brokerage commissions paid	**8,136**	7,553
Commissions on retail banking	**7,880**	8,837
Fees on credit cards	**75**	52
Commissions on remittance	**33**	87
	17,837	18,145
Of which :		
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value		
- fee and commission income	**138,239**	130,229
- fee and commission expense	**1,788**	1,668
Net fee and commission income on trust and other fiduciary activities		
- fee and commission income	**9,656**	10,245

The Group provides custody, trustee and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

2 Dividend income, net trading income, other operating income and net earned insurance premium

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
(a) Dividend income		
Dividend income from investment securities		
- listed investments	**463**	1,283
- unlisted investments	**1,900**	25,021
	2,363	26,304
(b) Net trading income		
Foreign exchange	**43,635**	52,444
Interest rate instruments	**(2,728)**	7,811
Equities	**14,223**	13,013
Other trading income	**(7,410)**	(488)
	47,720	72,780

"Foreign exchange" net trading income includes gains and losses from spot and forward contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship. "Interest rate instruments" trading income includes the results of trading in government securities, corporate debt securities and money market instruments. "Equities" trading income includes the results of trading in equity securities in local and overseas markets.

(c) Other operating income		
Gross rental income from investment properties	**237**	111
Others	**31,565**	32,993
	31,802	33,104

The Group did not have any direct operating expenses relating to investment properties during the six months ended 30th June 2013 and 2012.

(d) Net earned insurance premium		
Insurance premium revenue	**29,078**	23,810
Insurance premium ceded to reinsurers	**(7,524)**	(5,010)
	21,554	18,800

The related net insurance claims incurred and movement in policyholders' liabilities of HK$9,835,000 (six months ended 30th June 2012: HK$6,367,000) was shown after netted off with the insurance claims and loss adjustment expenses recovered from reinsurers of HK$154,000 (six months ended 30th June 2012: HK$365,000).

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

3 Operating expenses

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
Auditor's remuneration		
Statutory audit services	**3,331**	2,904
Non-statutory audit and other services (Note a)	**3,017**	1,796
Advertising costs	**14,979**	11,555
Depreciation expenses	**27,089**	27,773
Employee benefit expenses		
Wages and salaries and other costs (Note b)	**319,982**	304,792
Pension costs - defined contribution schemes	**24,919**	17,198
Pension costs - defined benefit schemes	**21**	16
Premises and equipment expense, excluding depreciation		
Rental of premises	**53,173**	50,675
Building expenses	**2,665**	5,211
Building management fee	**5,282**	5,079
Other operating expenses		
Computer rental and licence	**6,837**	6,768
Credit card business promotion	**22,560**	7,219
Credit card service fee	**5,222**	5,148
Insurance	**2,511**	4,225
Legal and consultancy (Note c)	**2,698**	(5,063)
Postage	**5,983**	5,792
Printing and stationery	**4,442**	4,341
Repair and maintenance	**8,235**	7,889
Telephone and communications	**13,465**	13,270
Travelling and transportation	**2,192**	2,109
Water, heat and light	**7,190**	6,768
Others (Note c)	**20,388**	14,406
	556,181	499,871

Note a : Included in the non-statutory audit and other services is the fee paid for the full scope audit of the Group's financial information for the reporting to the ultimate holding company in Taiwan under its local statutory requirements.

Note b: Employee benefit expenses include directors' emoluments. The number of employees of the Group as at 30th June 2013 was 1,649 (30th June 2012: 1,668).

Note c: During the six months ended 30th June 2013, there were HK$8.2 million (six months ended 30th June 2012: HK$2.8 million) recoveries arising from the realisation of collateral of Lehman related products and HK$2.6 million (six months ended 30th June 2012: HK$18.6 million) reversal of provision in respect of wealth management products and the related legal fees.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

4 (Provision for)/ reversal of impairment losses on loans and advances to customers

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
Trade bills	**(182)**	306
Loans and advances to customers	**146**	35,227
	(36)	35,533
Net (provision for)/ reversal of impairment losses		
- Individually assessed	**17,935**	31,430
- Collectively assessed	**(17,971)**	4,103
	(36)	35,533
Of which		
- new allowances	**(28,258)**	(24,010)
- releases	**13,752**	33,674
- recoveries	**14,470**	25,869
Net (charge)/ reversal to income statement	**(36)**	35,533

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2012: 16.5%) on the estimated assessable profits for the six months period ended 30th June 2013. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months period ended 30th June 2013 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the income statement represents:

	Six months ended 30th June 2013 (unaudited) HK$'000	Six months ended 30th June 2012 (unaudited) HK$'000
Current income tax:		
- Hong Kong profits tax	**155,794**	131,178
- Overseas taxation	**61,928**	58,754
- Under/ (over) provisions in respect of prior years	**19**	(280)
Total current income tax	**217,741**	189,652
Deferred income tax:		
- Hong Kong deferred tax	**(4,371)**	7,964
- Overseas deferred tax	**8,824**	9,053
Total deferred income tax	**4,453**	17,017
Income tax expense	**222,194**	206,669

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rates of the countries in which the Group operates as follows:

Profit before tax	**1,110,584**	1,027,680
Tax calculated at domestic tax rates applicable to profits in the respective countries	**221,471**	207,528
Tax effect of:		
Income not subject to tax	**(5,985)**	(17,226)
Expenses not deductible for tax purposes	**6,929**	17,266
Net effect of investments in partnerships	**(240)**	(619)
Under/ (over) provisions in respect of prior years	**19**	(280)
Tax expense	**222,194**	206,669

The income tax rate applicable to the majority of the Group and its subsidiaries' 2013 income is 16.5% (2012: 16.5%).

The Bank has entered into aircraft leverage lease arrangement, involving special purpose partnerships in which the Bank is the general partner. As at 30th June 2013, the unamortised carrying cost of the investments in such partnerships, which was included in "Other assets", amounted to HK$488,761,000 (31st December 2012: HK$730,110,000). The Bank's tax benefit in these special purpose partnerships are amortised over the life of the individual partnerships.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

6 Cash and balances with banks

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Cash in hand	**371,119**	355,943
Balances with central banks and Hong Kong Monetary Authority	**5,077,454**	16,468,888
Balances with banks	**20,712,207**	13,064,838
	26,160,780	29,889,669

As at 30th June 2013, there was HK$1,500,000 (31st December 2012: HK$1,500,000) deposited in the name of the Director of Accounting Services Treasury Hong Kong placed by a subsidiary company of the Bank to comply with the statutory requirement.

As at 30th June 2013, there were HK$203,614,000 (31st December 2012: HK$230,734,000) of statutory deposits with the central banks in the countries the Group is operating the business for the purpose of complying with the statutory requirements of the countries.

7 Placements with and loans and advances to banks

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Placements with banks maturing between one and twelve months	**18,915,686**	19,528,775
Loans and advances to banks maturing between one and twelve months	**685,757**	98,893
	19,601,443	19,627,668

As at 30th June 2013, HK$206,206,000 (31st December 2012: HK$130,958,000) was deposited with designated banks in the People's Republic of China to comply with the local statutory requirement. No impairment allowances were necessary to be provided for the placements with and loans and advances to banks.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

8 Loans and advances to customers

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Loans and advances to individuals	**14,351,189**	12,850,918
Loans and advances to corporate entities	**44,484,970**	41,126,158
Gross loans and advances to customers	**58,836,159**	53,977,076
Less: impairment allowances		
- Individually assessed	**(41,328)**	(48,484)
- Collectively assessed	**(231,364)**	(213,482)
	58,563,467	53,715,110
Gross trade bills and other eligible bills, included within loans and advances to customers	**2,414,525**	2,146,921
Less: impairment allowances on trade bills		
- Collectively assessed	**(1,088)**	(906)
	2,413,437	2,146,015
Value of collateral for loans and advances which are individually assessed to be impaired	**504,096**	762,649
Percentage of impaired loans and advances to gross loans and advances	**0.48%**	0.84%

The Group accepted listed securities at fair value of HK$4,130,186,000 as at 30th June 2013 (31st December 2012: HK$2,977,749,000) as collateral for shares financing facilities. These securities are permitted to be sold or re-pledged in the event of default by the borrowers.

As at 30th June 2013, certain of the Bank's branches in the United States have pledged their real estate loans of HK$58,137,000 (31st December 2012: HK$59,445,000) to the State of California and with the Office of the Comptroller of the Currency in compliance with local regulatory requirements.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

9 Derivative financial instruments and off-balance sheet exposures

(a) Contingent liabilities and commitments

The contract amounts of the Group's off-balance sheet instruments that commit it to extend credit to customers:

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Direct credit substitutes	**2,265,232**	2,197,874
Trade-related contingencies	**2,984,519**	3,417,746
Other commitments with an original maturity of:		
- under 1 year	**8,791,248**	1,355,706
- 1 year and over	**2,013,779**	2,506,275
- unconditionally cancellable	**35,344,814**	33,751,271
	51,399,592	43,228,872

The credit risk weighted amount of credit commitment is HK$4,357,111,000 (31st December 2012: HK$4,218,547,000).

(b) Derivative financial instruments

		Fair values	
	Contract amount HK$'000	Assets HK$'000	Liabilities HK$'000
At 30th June 2013 (unaudited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	**12,447,391**	**86,440**	**(84,666)**
Total recognised derivative financial assets/ (liabilities)		**86,440**	**(84,666)**
At 31st December 2012 (audited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	11,767,569	51,446	(39,891)
Total recognised derivative financial assets/ (liabilities)		51,446	(39,891)

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

9 Derivative financial instruments and off-balance sheet exposures (Continued)

(b) Derivative financial instruments (Continued)

	Credit risk weighted amount	
	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Exchange rate contracts	**89,489**	57,655

Contingent liabilities and commitments are credit-related instruments which include acceptances, 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. These transactions are therefore subject to the same credit origination, portfolio maintenance and collateral requirements as for customers applying for loans.

Off-balance sheet financial instruments arise from forward and swap transactions undertaken in the foreign exchange rate markets. Exchange rate contracts mainly comprise transactions initiated in response to customer demand. No significant positions are maintained by the Group.

The contract amounts of these instruments indicate the volume of transactions outstanding as at the end of the reporting period, they do not represent the amounts at risk.

The credit risk weighted amounts as at 30th June 2013 and 31st December 2012 are the amounts that have been calculated in accordance with the Banking (Capital) Rules effective as at the period end dates.

The above risk weighted amounts and fair value have not taken into account the effect of bilateral netting arrangements and accordingly the amounts disclosed are shown on a gross basis.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

10 Properties and equipment

				Property under development		
	Leasehold land HK$'000	Bank premises HK$'000	Furniture, fittings and equipment HK$'000	Leasehold land HK$'000	Development cost HK$'000	Total HK$'000
At 1st January 2012						
Cost	338,808	478,284	599,058	1,383,906	11,697	2,811,753
Accumulated depreciation	(70,998)	(200,779)	(493,170)	(6,642)	-	(771,589)
Net book amount	267,810	277,505	105,888	1,377,264	11,697	2,040,164
Year ended 31st December 2012						
Opening net book amount	267,810	277,505	105,888	1,377,264	11,697	2,040,164
Additions	195,072	-	38,340	-	25,779	259,191
Transfers from investment properties (Note 11)						
Cost	85,216	5,757	-	-	-	90,973
Accumulated depreciation	(102)	(1,333)	-	-	-	(1,435)
Disposals/ write-off						
Cost	-	(135)	(21,989)	-	-	(22,124)
Accumulated depreciation	-	135	21,402	-	-	21,537
Depreciation charge	(5,057)	(9,239)	(34,270)	(1,651)	-	(50,217)
Exchange rate adjustments	-	1,124	111	-	-	1,235
Closing net book amount	542,939	273,814	109,482	1,375,613	37,476	2,339,324
At 31st December 2012 (audited)						
Cost	619,096	485,364	616,357	1,383,906	37,476	3,142,199
Accumulated depreciation	(76,157)	(211,550)	(506,875)	(8,293)	-	(802,875)
Net book amount	542,939	273,814	109,482	1,375,613	37,476	2,339,324
Six months ended 30th June 2013						
Opening net book amount	**542,939**	**273,814**	**109,482**	**1,375,613**	**37,476**	**2,339,324**
Additions	**1,764**	**-**	**11,557**	**-**	**14,224**	**27,545**
Transfers from investment properties (Note 11)						
Cost	**31,211**	**443**	**-**	**-**	**-**	**31,654**
Accumulated depreciation	**(53)**	**(351)**	**-**	**-**	**-**	**(404)**
Disposals/ write-off						
Cost	**-**	**-**	**(11,293)**	**-**	**-**	**(11,293)**
Accumulated depreciation	**-**	**-**	**10,971**	**-**	**-**	**10,971**
Depreciation charge	**(2,578)**	**(4,671)**	**(18,364)**	**(825)**	**-**	**(26,438)**
Exchange rate adjustments	**-**	**(1,482)**	**76**	**-**	**-**	**(1,406)**
Closing net book amount	**573,283**	**267,753**	**102,429**	**1,374,788**	**51,700**	**2,369,953**
At 30th June 2013 (unaudited)						
Cost	**652,071**	**483,846**	**614,448**	**1,383,906**	**51,700**	**3,185,971**
Accumulated depreciation	**(78,788)**	**(216,093)**	**(512,019)**	**(9,118)**	**-**	**(816,018)**
Net book amount	**573,283**	**267,753**	**102,429**	**1,374,788**	**51,700**	**2,369,953**

Property under development represents the related costs paid as at 30th June 2013 and 31st December 2012 for the re-development of the Bank's new Head Office building in Central, Hong Kong.

As at 30th June 2013, interests in freehold land outside Hong Kong amounted to HK$36,459,000 (31st December 2012: HK$37,441,000) are included as bank premises above.

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

11 Investment properties

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
At 1st January 2012			
Cost	4,658	4,657	9,315
Accumulated depreciation	(6)	(116)	(122)
Net book amount	4,652	4,541	9,193
Year ended 31st December 2012			
Opening net book amount	4,652	4,541	9,193
Additions	216,136	3,522	219,658
Transfers to properties and equipment (Note 10)			
Cost	(85,216)	(5,757)	(90,973)
Accumulated depreciation	102	1,333	1,435
Depreciation charge	(250)	(1,918)	(2,168)
Closing net book amount	135,424	1,721	137,145
At 31st December 2012 (audited)			
Cost	135,578	2,422	138,000
Accumulated depreciation	(154)	(701)	(855)
Net book amount	135,424	1,721	137,145
Six months ended 30th June 2013			
Opening net book amount	**135,424**	**1,721**	**137,145**
Additions	**2,156**	**-**	**2,156**
Transfers to properties and equipment (Note 10)			
Cost	**(31,211)**	**(443)**	**(31,654)**
Accumulated depreciation	**53**	**351**	**404**
Depreciation charge	**(78)**	**(573)**	**(651)**
Closing net book amount	**106,344**	**1,056**	**107,400**
At 30th June 2013 (unaudited)			
Cost	**106,523**	**1,979**	**108,502**
Accumulated depreciation	**(179)**	**(923)**	**(1,102)**
Net book amount	**106,344**	**1,056**	**107,400**

12 Deposits from customers

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Demand deposits and current accounts	**9,049,954**	9,456,083
Savings deposits	**29,545,342**	31,206,361
Time, call and notice deposits	**69,582,589**	69,631,728
Deposits from Hong Kong Government Exchange Fund	**388,065**	387,743
	108,565,950	110,681,915

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

13 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income tax liabilities	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Fair value gains on available-for-sale investments HK$'000	Others HK$'000	Total HK$'000
At 1st January 2012	35,157	(2,270)	(135,183)	(2,255)	(104,551)
Charged to income statement	(6,911)	(8,276)	-	(101)	(15,288)
Charged to equity	-	-	(86,540)	-	(86,540)
Reclassified to current income tax liabilities	-	-	-	537	537
Reclassified from deferred income tax assets	-	-	432	-	432
At 31st December 2012 (audited)	28,246	(10,546)	(221,291)	(1,819)	(205,410)
Credited/ (charged) to income statement	**5,128**	**(721)**	**4**	**(40)**	**4,371**
Credited to equity	**-**	**-**	**53,349**	**-**	**53,349**
Reclassified to current income tax liabilities	**-**	**-**	**-**	**600**	**600**
Reclassified to deferred income tax assets	**-**	**-**	**(233)**	**-**	**(233)**
At 30th June 2013 (unaudited)	**33,374**	**(11,267)**	**(168,171)**	**(1,259)**	**(147,323)**

Deferred income tax assets	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Fair value losses on available-for-sale investments HK$'000	Others HK$'000	Total HK$'000
At 1st January 2012	31,877	1,743	432	10,703	44,755
Credited/ (charged) to income statement	276	(142)	-	1,122	1,256
Exchange differences	(54)	(1)	-	(37)	(92)
Reclassified to deferred income tax liabilities	-	-	(432)	-	(432)
At 31st December 2012 (audited)	32,099	1,600	-	11,788	45,487
(Charged)/ credited to income statement	**(214)**	**18**	**-**	**(8,628)**	**(8,824)**
Exchange differences	**(35)**	**(2)**	**-**	**21**	**(16)**
Reclassified from deferred income tax liabilities	**-**	**-**	**233**	**-**	**233**
At 30th June 2013 (unaudited)	**31,850**	**1,616**	**233**	**3,181**	**36,880**

The deferred taxation credited/ (charged) to equity during the six months period ended 30th June 2013 (2012: the year) is as follows:

	30th June 2013 (unaudited) HK$'000	31st December 2012 (audited) HK$'000
Available-for-sale investment revaluation reserve/ (deficit)		
- Reserves in shareholders' equity (Note 14)	**53,256**	(86,366)
- Reserves in non-controlling interests	**93**	(174)
	53,349	(86,540)

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (CONTINUED)

14 Other reserves

	Regulatory reserve (Note) HK$'000	Available-for-sale investment revaluation reserve HK$'000	General reserve HK$'000	Total HK$'000
Balance at 1st January 2012	462,370	681,022	7,350,007	8,493,399
Change in fair value of available-for-sale investments	-	697,925	-	697,925
Realised on disposal of available-for-sale investments	-	(177,792)	-	(177,792)
Effect of deferred taxation (Note 13)	-	(86,366)	-	(86,366)
Currency translation differences	-	(3,185)	6,310	3,125
Impairment losses on available-for-sale investments transferred to income statement	-	6,187	-	6,187
Share of investment revaluation reserve of joint ventures	-	419	-	419
Transfer from retained earnings	28,371	-	-	28,371
Balance at 31st December 2012 (audited)	490,741	1,118,210	7,356,317	8,965,268
Balance at 1st January 2013	**490,741**	**1,118,210**	**7,356,317**	**8,965,268**
Change in fair value of available-for-sale investments	**-**	**(185,304)**	**-**	**(185,304)**
Realised on disposal of available-for-sale investments	**-**	**(139,318)**	**-**	**(139,318)**
Effect of deferred taxation (Note 13)	**-**	**53,256**	**-**	**53,256**
Currency translation differences	**413**	**2,345**	**10,872**	**13,630**
Share of investment revaluation reserve of joint ventures	**-**	**(137)**	**-**	**(137)**
Other transfer	**-**	**1,104**	**-**	**1,104**
Balance at 30th June 2013 (unaudited)	**491,154**	**850,156**	**7,367,189**	**8,708,499**

Note: The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements of overseas branches for prudent supervision purpose. Any movements in the regulatory reserve for Hong Kong operation are made in consultation with the Hong Kong Monetary Authority.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Liquidity ratio

	30th June 2013	30th June 2012
Liquidity ratio	**58%**	59%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the six months of the financial period of the Bank's Hong Kong offices and overseas branches computed in accordance with the Hong Kong Banking Ordinance.

2 Non-bank mainland exposures

At 30th June 2013	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total HK$'000	Individually assessed impairment allowances HK$'000
Types of counterparties				
Mainland entities	**1,905,117**	**196,217**	**2,101,334**	**-**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**2,774,346**	**327,084**	**3,101,430**	**2,641**
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposures	**249,959**	**309,084**	**559,043**	**-**
	4,929,422	**832,385**	**5,761,807**	**2,641**

At 31st December 2012	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total HK$'000	Individually assessed impairment allowances HK$'000
Types of counterparties				
Mainland entities	1,920,539	195,789	2,116,328	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,403,881	289,435	2,693,316	2,562
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposures	104,669	543,104	647,773	-
	4,429,089	1,028,328	5,457,417	2,562

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

3 Currency concentrations

At 30th June 2013	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000	Net structural position HK$'000
Equivalent in Hong Kong dollars						
US Dollars	**44,637,000**	**(39,014,000)**	**9,460,000**	**(11,708,000)**	**3,375,000**	**4,008,000**
Pound Sterling	**2,176,000**	**(2,172,000)**	**49,000**	**(33,000)**	**20,000**	**6,000**
Renminbi	**17,167,000**	**(15,741,000)**	**4,734,000**	**(4,746,000)**	**1,414,000**	**139,000**
Canadian Dollars	**1,779,000**	**(1,785,000)**	**30,000**	**(18,000)**	**6,000**	**-**
Australian Dollars	**5,970,000**	**(6,114,000)**	**936,000**	**(754,000)**	**38,000**	**-**
Other currencies and gold	**2,445,000**	**(2,405,000)**	**1,596,000**	**(1,618,000)**	**18,000**	**-**
	74,174,000	**(67,231,000)**	**16,805,000**	**(18,877,000)**	**4,871,000**	**4,153,000**

At 31st December 2012	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000	Net structural position HK$'000
Equivalent in Hong Kong dollars						
US Dollars	45,786,000	(41,485,000)	6,896,000	(7,008,000)	4,189,000	3,642,000
Pound Sterling	2,205,000	(2,220,000)	73,000	(35,000)	23,000	9,000
Renminbi	13,529,000	(12,589,000)	3,024,000	(2,736,000)	1,228,000	151,000
Canadian Dollars	1,767,000	(1,778,000)	35,000	(17,000)	7,000	-
Australian Dollars	5,729,000	(5,865,000)	880,000	(748,000)	(4,000)	-
Other currencies and gold	2,558,000	(2,509,000)	770,000	(781,000)	38,000	-
	71,574,000	(66,446,000)	11,678,000	(11,325,000)	5,481,000	3,802,000

Net structural position includes structural positions of the Bank's overseas branches and subsidiaries. Structural assets and liabilities include:
- investments in properties and equipment, net of depreciation;
- capital, statutory reserves and unremitted profits of overseas branches; and
- investments in overseas subsidiaries and related company.

The above disclosure is based on the significance of the Group's foreign currency exposures of the current period.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4 Loans and advances to customers

(a) Gross loans and advances to customers by loan usage

	30th June 2013		31st December 2012	
	Gross loans and advances HK$'000	**Amount covered by collateral HK$'000**	Gross loans and advances HK$'000	Amount covered by collateral HK$'000
Loans for use in Hong Kong				
- Industrial, commercial and financial				
- Property development	**2,434,290**	**1,132,028**	1,742,505	876,465
- Property investment	**10,135,173**	**9,837,702**	10,107,076	9,861,456
- Financial concerns	**451,590**	**437,568**	130,991	127,205
- Stockbrokers	**45,428**	**45,344**	80,570	69,953
- Wholesale and retail trade	**1,498,863**	**1,038,787**	911,436	619,345
- Manufacturing	**2,371,228**	**1,734,931**	2,048,598	1,424,641
- Transport and transport equipment	**727,711**	**444,966**	731,252	455,982
- Information technology - telecommunication	**8,301**	**7,803**	6,417	5,921
- Hotels, boarding houses and catering	**1,088,499**	**1,076,208**	890,789	874,423
- Others	**4,860,883**	**3,688,925**	5,591,454	4,196,186
- Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respecitve successor schemes	**211,490**	**210,678**	229,017	228,031
- Loans for the purchase of other residential properties	**4,087,644**	**4,080,907**	3,928,236	3,921,971
- Credit card advances	**236,847**	**-**	291,704	-
- Others	**6,283,754**	**5,894,495**	5,174,506	4,960,556
Trade finance	**6,742,890**	**4,803,083**	5,594,761	3,918,751
Loans for use outside Hong Kong	**15,237,043**	**14,177,609**	14,370,843	12,705,423
	56,421,634	**48,611,034**	51,830,155	44,246,309

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4 Loans and advances to customers (Continued)

(b) Impairment allowances on loans and advances to customers by loan usage

For those industry sectors to which the Bank's total amount of loans and advances constitute not less than 10% of the Bank's total amount of loans and advances, their corresponding amount of individually assessed impaired loans and advances, overdue loans and advances, individual impairment allowances, collective impairment allowances is analysed as follows:

	30th June 2013			
	Impaired loans and advances HK$'000	**Overdue loans and advances HK$'000**	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Industrial, commercial and financial - Property investment	**27,254**	**86,285**	**110**	**40,432**

	31st December 2012			
	Impaired loans and advances HK$'000	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Industrial, commercial and financial - Property investment	26,103	118,307	105	40,324

	30th June 2013		
	New provisions HK$'000	**Loans written off as uncollectible HK$'000**	**Recoveries of advances written off in previous years HK$'000**
Industrial, commercial and financial - Property investment	**7**	**-**	**-**

	31st December 2012		
	New provisions HK$'000	Loans written off as uncollectible HK$'000	Recoveries of advances written off in previous years HK$'000
Industrial, commercial and financial - Property investment	80	-	388

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

5 Loans and advances overdue for more than 3 months

(a) Gross amount of overdue loans and advances

	30th June 2013		31st December 2012	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Gross loans and advances which have been overdue for:				
- six months or less but over three months	**6,231**	**0.01**	57,386	0.11
- one year or less but over six months	**11,763**	**0.02**	15,835	0.03
- over one year	**145,825**	**0.25**	158,601	0.29
	163,819	**0.28**	231,822	0.43

(b) Value of collateral held and impairment allowances against overdue loans and advances

	Outstanding amount HK$'000	Current market value of collateral HK$'000	Covered portion by collateral HK$'000	Uncovered portion by collateral HK$'000	Individually assessed impairment allowances HK$'000
At 30th June 2013					
Overdue loans and advances	**163,819**	**258,707**	**143,775**	**20,044**	**27,488**
At 31st December 2012					
Overdue loans and advances	231,822	363,651	210,010	21,812	29,893

Collateral held against such loans and advances mainly include mortgages over properties.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

5 Loans and advances overdue for more than 3 months (Continued)

(c) Rescheduled loans and advances net of amounts included in loans and advances overdue for more than 3 months

	30th June 2013		31st December 2012	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Rescheduled loans and advances	**125,838**	**0.21**	205,314	0.38

(d) Repossessed assets

During the period, the Group had not obtained assets by taking possession of collateral held as security (31st December 2012: HK$5,742,000). As at 31st December 2012, the fair value of the repossessed asset of the Group amounted to HK$6,380,000.

Repossessed asset is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed asset is classified in the statement of financial position within "Other assets".

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

6 Overdue and impaired loans and advances to customers by geographical areas

	30th June 2013		
	Individually assessed impaired loans and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**145,026**	**23,338**	**-**
Asia Pacific excluding Hong Kong	**3,578**	**14**	**-**
North America	**132,438**	**17,976**	**-**
	281,042	**41,328**	**-**

	30th June 2013		
	Overdue loans and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**489,795**	**21,885**	**2,056**
Asia Pacific excluding Hong Kong	**13,626**	**14**	**51**
North America	**689,327**	**6,205**	**2,362**
Western Europe	**118,825**	**-**	**476**
	1,311,573	**28,104**	**4,945**

	31st December 2012		
	Individually assessed impaired loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	250,443	27,931	-
Asia Pacific excluding Hong Kong	3,876	16	-
North America	199,448	20,537	-
	453,767	48,484	-

	31st December 2012		
	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	718,230	24,774	2,566
Asia Pacific excluding Hong Kong	80,144	16	312
North America	721,807	6,201	2,441
Western Europe	54,068	-	217
	1,574,249	30,991	5,536

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7 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.

At 30th June 2013	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	**45,413,000**	**137,000**	**2,547,000**	**48,097,000**
North America	**1,894,000**	**178,000**	**247,000**	**2,319,000**
Western Europe	**341,000**	**-**	**248,000**	**589,000**

At 31st December 2012	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	37,452,000	196,000	1,795,000	39,443,000
North America	2,024,000	189,000	252,000	2,465,000
Western Europe	739,000	-	233,000	972,000

8 Gross loans and advances to customers by geographical segments

The following table breaks down the Group's loans and advances balance by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	30th June 2013 HK$'000	31st December 2012 HK$'000
Hong Kong	**44,074,164**	39,874,540
Asia Pacific excluding Hong Kong	**2,702,444**	2,600,715
North and South America	**10,956,996**	10,396,635
Middle East and Africa	**380**	491
Europe	**1,102,175**	1,104,695
	58,836,159	53,977,076

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy

The calculation of the capital adequacy ratio as at 30th June 2013 is based on the Banking (Capital) Rules ("BCR") effective from 1st January 2013. The capital adequacy ratio as at 30th June 2013 represents the consolidated ratio of the Bank, Shacom Property (CA) Inc., Shacom Property (NY) Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Investments Limited, Silver Wisdom Investments Limited and Shacom Insurance Brokers Limited computed in accordance with Section 3C(1) of the BCR.

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of consolidation respectively.

	Balance sheet as in published financial statements As at 30th June 2013 HK$'000	Under regulatory scope of consolidation As at 30th June 2013 HK$'000
Assets		
Cash and balances with banks	**26,160,780**	**26,160,774**
Placements with and loans and advances to banks	**19,601,443**	**19,601,443**
Loans and advances to customers	**58,563,467**	**58,563,467**
Financial assets held for trading	**360,934**	**344,265**
Derivative financial instruments	**86,440**	**86,440**
Investment securities:		
- Available-for-sale	**25,296,625**	**25,197,154**
- Held-to-maturity	**2,499,211**	**2,495,219**
Investments in joint ventures	**226,490**	**116,000**
Investments in and amounts due from subsidiary companies	**-**	**184,386**
Properties and equipment	**2,369,953**	**2,343,418**
Investment properties	**107,400**	**140,185**
Deferred income tax assets	**36,880**	**36,647**
Other assets	**1,182,484**	**703,969**
Total assets	**136,492,107**	**135,973,367**
Liabilities		
Deposits and balances from banks	**6,820,644**	**6,820,644**
Deposits from customers	**108,565,950**	**108,565,950**
Derivatives financial instruments	**84,666**	**84,666**
Amounts due to subsidiary companies	**-**	**252,923**
Other liabilities	**1,483,449**	**965,169**
Provisions	**65,314**	**64,368**
Current income tax liabilities	**199,611**	**198,731**
Deferred income tax liabilities	**147,323**	**147,290**
Total liabilities	**117,366,957**	**117,099,741**
Equity		
Share capital	**2,000,000**	**2,000,000**
Retained earnings	**8,353,946**	**8,164,322**
Other reserves	**8,708,499**	**8,709,304**
Non-controlling interests	**62,705**	**-**
Total equity	**19,125,150**	**18,873,626**
Total equity and liabilities	**136,492,107**	**135,973,367**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The table below shows the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Capital Disclosures Template.

	Balance sheet as in published financial statements As at 30th June 2013 HK$'000	Under regulatory scope of consolidation As at 30th June 2013 HK$'000	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks	**26,160,780**	**26,160,774**	
Placements with and loans and advances to banks	**19,601,443**	**19,601,443**	
Loans and advances to customers	**58,563,467**	**58,563,467**	
of which: collective impairment allowances reflected in regulatory capital		***231,364***	(1)
Financial assets held for trading	**360,934**	**344,265**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***2,628***	(2)
Derivative financial instruments	**86,440**	**86,440**	
Investment securities:			
- Available-for-sale	**25,296,625**	**25,197,154**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***227,172***	(3)
- Held-to-maturity	**2,499,211**	**2,495,219**	
Investments in joint ventures	**226,490**	**116,000**	
Investments in and amounts due from subsidiary companies	**-**	**184,386**	
Properties and equipment	**2,369,953**	**2,343,418**	
Investment properties	**107,400**	**140,185**	
Deferred income tax assets	**36,880**	**36,647**	(4)
Other assets	**1,182,484**	**703,969**	
Total assets	**136,492,107**	**135,973,367**	
Liabilities			
Deposits and balances from banks	**6,820,644**	**6,820,644**	
Deposits from customers	**108,565,950**	**108,565,950**	
Derivatives financial instruments	**84,666**	**84,666**	
Amounts due to subsidiary companies	**-**	**252,923**	
Other liabilities	**1,483,449**	**965,169**	
Provisions	**65,314**	**64,368**	
Current income tax liabilities	**199,611**	**198,731**	
Deferred income tax liabilities	**147,323**	**147,290**	
Total liabilities	**117,366,957**	**117,099,741**	
Equity			
Share capital	**2,000,000**	**2,000,000**	
of which: paid-in share capital		***2,000,000***	(5)
Retained earnings	**8,353,946**	**8,164,322**	
of which: retained earnings		***8,164,322***	(6)
Other reserves	**8,708,499**	**8,709,304**	
of which: accumulated other comprehensive income (loss), other than regulatory reserve		***8,218,150***	(7)
regulatory reserve		***491,154***	(8)
Non-controlling interests	**62,705**	**-**	
Total equity	**19,125,150**	**18,873,626**	
Total equity and liabilities	**136,492,107**	**135,973,367**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 30th June 2013 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	CET1 capital: instruments and reserves		
		HK$'000	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	8,164,322	(6)
3	Disclosed reserves	8,709,304	(7) + (8)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**18,873,626**	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets net of deferred tax liabilities	36,647	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Gain-on-sale arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	181,877	(2) + (3) - (9)
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	491,154	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	CET1 capital: regulatory deductions (Continued)		
		HK$'000	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**709,678**	
29	**CET1 capital**	**18,163,948**	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-	
36	**AT1 capital before regulatory deductions**	**-**	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	**-**	
44	**AT1 capital**	**-**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**18,163,948**	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	722,518	(1) + (8)
51	**Tier 2 capital before regulatory deductions**	**722,518**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	Tier 2 capital: regulatory deductions		
		HK$'000	
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	47,923	(9)
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57	**Total regulatory deductions to Tier 2 capital**	**47,923**	
58	**Tier 2 capital**	**674,595**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**18,838,543**	
60	**Total risk weighted assets**	**94,415,916**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	19.24%	
62	Tier 1 capital ratio	19.24%	
63	Total capital ratio	19.95%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	of which: capital conservation buffer requirement	0.00%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB and D-SIB buffer requirement	0.00%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	14.74%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,834,583	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	293,543	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2 capital			
		HK$'000	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	722,518	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	1,086,413	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

Note to the template:
Element where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
		HK'000	HK'000
10	**Deferred tax assets net of deferred tax liabilities ("DTA")**	**36,647**	**-**
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an authorised institution is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for mortgage servicing rights, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
Remarks: The amout of the 10%/ 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.			

Abbreviations:
CET1 = Common Equity Tier 1
AT1 = Additional Tier 1

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

For comparative purpose, the capital adequacy ratio as at 31st December 2012 was based on the BCR effective from 1st January 2012. The capital adequacy ratio as at 31st December 2012 represents the consolidated ratio of the Bank, Shacom Property (CA) Inc., Shacom Property (NY) Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited and Shacom Insurance Brokers Limited computed in accordance with section 98(2) of the Hong Kong Banking Ordinance. The comparative figures were not restated on the ground that different approaches were used to calcuate the capital adequacy ratios as at 30th June 2013 and 31st December 2012.

	31st December 2012
Capital adequacy ratio	18%
Core capital ratio	18%

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 31st December 2012 and reported to the Hong Kong Monetary Authority is analysed as follows:

	31st December 2012 HK$'000
Core capital:	
Paid up ordinary share capital	2,000,000
Reserves	13,028,417
Income statement	1,614,233
Less: net deferred tax assets	(61,401)
	16,581,249
Other deductions from core capital	(1,132,493)
Core capital after deductions	15,448,756
Supplementary capital:	
Collective impairment allowances for loans and advances	213,482
Regulatory reserve	490,741
Revaluation reserves for available-for-sale investments	603,517
	1,307,740
Other deductions from supplementary capital	(1,132,492)
Supplementary capital after deductions	175,248
Total capital base	15,624,004

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The Main Features Template as at 30th June 2013 is shown below:

1	Issuer	Shanghai Commercial Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Companies Ordinance
	Regulatory treatment	
4	Transitional Basel III rules[#]	NA
5	Post-transitional Basel III rules[+]	Common Equity Tier 1
6	Eligible at solo*/ group/ group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$2,000
9	Par value of instrument	HK$100 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1951, 1968, 1969 ,1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons/ dividends	
17	Fixed or floating dividend/ coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporay write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Footnote:
[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the BCR
[+] Regulatory treatment of capital instruments not subject to transitional arrangement provided for in Schedule 4H of the BCR
* Include solo-consolidated

REVIEW OF OPERATIONS

Shanghai Commercial Bank Limited ("the Bank") reported a consolidated profit after tax of HK$888.4 million for the first six months of 2013, an increase of HK$67.4 million or 8.2%, as compared with the same period last year. During the period, the Bank's net interest income, revenue generated from treasury operations and net fee and commission income from retail sales as well as other operations all fared better than that of the corresponding period last year by 13.3%, 7.5% and 15.6% respectively. Operating expenses, however, increased by 11.3%. The overall loan-to-deposit ratio at 54% represented an increase of five percentage points as compared with 49% at the end of 2012, as the total deposits decreased by 1.9% to HK$108.6 billion whereas gross loans and advances increased by 9.0% to HK$58.8 billion. For the first half of 2013, the Bank's cost-to-income ratio at 33.6% was slightly higher than the yearly average of 33.2% in 2012. The net interest margin averaged 1.63% which was 10 basis points higher than the average of 1.53% for the same period last year and 8 basis points better than the 2012 yearly average of 1.55%. Provision for impairment allowance made on loans and advances to customers was only HK$36,000 in the first half of 2013, benefited from the bad debt recoveries of our overseas operations.

In anticipation of the tapering of quantitative easing in the United States, the interest yield curve of the fixed income market had steepened considerably since May 2013. This affected adversely the valuation of the debt securities portfolio in the available-for-sale category. The total comprehensive income attributable to equity holders of the Bank for the first six months of 2013, at HK$631.2 million, was lower than the HK$986.0 million for the same period in 2012. Total assets and shareholders' funds as at 30th June 2013 amounted to HK$136.5 billion and HK$19.1 billion respectively were also lower by 0.5% and 1.0% as compared to the year end of 2012. The Bank's average liquidity ratio and capital adequacy ratio, however, remained strong at 58% and 20% respectively.

The debt securities portfolio held by the Bank constituted 19% of the total assets, of which 53% were of fixed rates with average tenor less than 3.5 years and actual interest yield well above U.S. Treasuries of similar period. We expect the eventual increase of interbank borrowing rates to contribute positively to the bottom line of the Bank. We will continue to manage the debt securities portfolio prudently and strive to maintain our competitive edge, expand our customer base through enhanced service quality and broadened product range as well as leveraging on the cross-border capabilities to support sustained organic growth.

STATEMENT OF COMPLIANCE

The above information is prepared in accordance with and fully complies with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

Lincoln Chu Kuen Yung
Chairman

David Sek-Chi Kwok
Chief Executive & Managing Director