上海商業銀行
SHANGHAI COMMERCIAL BANK

2017

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT







Building for the Future

SHANGHAI COMMERCIAL BANK LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2017

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30th June 2017 (unaudited)**	Six months ended 30th June 2016 (unaudited)
Interest income	6	**2,048,597**	1,808,704
Interest expense	6	**(565,274)**	(560,369)
Net interest income		**1,483,323**	1,248,335
Fee and commission income	7	**386,113**	340,236
Fee and commission expense	7	**(21,617)**	(18,706)
Net fee and commission income		**364,496**	321,530
Net trading income	8	**275,579**	138,954
Net gains from disposal of available-for-sale investments		**24,259**	41,042
Dividend income from available-for-sale investments		**105,199**	4,218
Net losses from disposal of equipment		**(1,255)**	(83)
Other operating income	9	**73,853**	37,985
Net earned insurance premium	10	**20,783**	21,916
Net insurance claims incurred and movement in policyholders' liabilities	10	**(10,426)**	(10,613)
Operating expenses	11	**(744,380)**	(684,383)
Charge of impairment losses on loans and advances to customers	12	**(46,412)**	(9,099)
Operating profit		**1,545,019**	1,109,802
Share of net profits of joint ventures		**31,042**	16,403
Profit before income tax		**1,576,061**	1,126,205
Income tax expense	13	**(307,275)**	(246,762)
Profit for the period		**1,268,786**	879,443
Attributable to:			
Equity holders of the Bank		**1,266,153**	877,289
Non-controlling interests		**2,633**	2,154
		1,268,786	879,443

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Profit for the period	**1,268,786**	879,443
Other comprehensive income		
Items that may be reclassified subsequently to statement of profit or loss		
Exchange differences on translation of foreign operations	**72,874**	(20,647)
Net gains/(losses) on available-for-sale investments		
Fair value changes on available-for-sale investments taken to equity	**856,526**	238,326
Exchange differences on translation of available-for-sale investments	**27,069**	(8,839)
Fair value changes transferred to statement of profit or loss on disposal of available-for-sale investments	**(24,259)**	(41,042)
Deferred income tax	**(141,791)**	(31,093)
Share of reserves of joint ventures	**6,103**	11,495
Other comprehensive income for the period, net of tax	**796,522**	148,200
Total comprehensive income for the period	**2,065,308**	1,027,643
Attributable to:		
Equity holders of the Bank	**2,062,544**	1,025,604
Non-controlling interests	**2,764**	2,039
Total comprehensive income for the period	**2,065,308**	1,027,643

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30th June 2017 (unaudited)**	31st December 2016 (audited)
ASSETS			
Cash and balances with banks	14	**27,083,403**	24,620,495
Placements with and loans and advances to banks	15	**22,219,831**	26,562,967
Loans and advances to customers	16	**73,398,117**	64,519,998
Financial assets held for trading		**1,037,779**	526,401
Derivative financial instruments	17	**129,505**	239,247
Available-for-sale investments		**48,169,935**	45,462,697
Held-to-maturity investments		**2,484,639**	2,515,363
Properties for sale	18	**363,452**	358,788
Investments in joint ventures	19	**334,248**	303,571
Properties and equipment	20	**2,407,502**	2,336,588
Investment properties	21	**1,024,143**	1,027,780
Deferred income tax assets	24	**56,390**	55,860
Other assets		**958,950**	839,515
TOTAL ASSETS		**179,667,894**	169,369,270
LIABILITIES			
Deposits and balances from banks		**8,476,013**	5,901,152
Deposits from customers	22	**142,611,631**	136,884,334
Derivative financial instruments	17	**83,922**	221,120
Other liabilities		**2,050,765**	1,372,306
Provisions		**94,709**	94,612
Current income tax liabilities		**233,931**	39,177
Deferred income tax liabilities	24	**612,324**	476,878
TOTAL LIABILITIES		**154,163,295**	144,989,579
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS			
Share capital		**2,000,000**	2,000,000
Retained earnings		**12,304,625**	11,950,747
Reserves	25	**11,126,330**	10,357,664
		25,430,955	24,308,411
Non-controlling interests in equity		**73,644**	71,280
TOTAL EQUITY		**25,504,599**	24,379,691
TOTAL EQUITY AND LIABILITIES		**179,667,894**	169,369,270

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders			Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings (including proposed dividends)		
As at 1st January 2016		2,000,000	9,568,495	11,003,984	68,160	22,640,639
Profit for the period		-	-	877,289	2,154	879,443
Other comprehensive income						
Fair value gains, net of tax:						
- available-for-sale investments		-	207,348	-	(115)	207,233
Currency translation differences		-	(29,242)	(244)	-	(29,486)
Share of reserves of joint ventures		-	11,495	-	-	11,495
Realised on disposal of available-for-sale investments		-	(41,042)	-	-	(41,042)
Total other comprehensive income		-	148,559	(244)	(115)	148,200
Payment of dividend relating to 2015		-	-	(940,000)	(400)	(940,400)
As at 30th June 2016 (unaudited)		2,000,000	9,717,054	10,941,029	69,799	22,727,882
As at 1st January 2017		**2,000,000**	**10,357,664**	**11,950,747**	**71,280**	**24,379,691**
Profit for the period		**-**	**-**	**1,266,153**	**2,633**	**1,268,786**
Other comprehensive income						
Fair value gains, net of tax:						
- available-for-sale investments	25	**-**	**714,604**	**-**	**131**	**714,735**
Currency translation differences	25	**-**	**72,218**	**27,725**	**-**	**99,943**
Share of reserves of joint ventures	25	**-**	**6,103**	**-**	**-**	**6,103**
Realised on disposal of available-for-sale investments	25	**-**	**(24,259)**	**-**	**-**	**(24,259)**
Total other comprehensive income		**-**	**768,666**	**27,725**	**131**	**796,522**
Payment of dividend relating to 2016		**-**	**-**	**(940,000)**	**(400)**	**(940,400)**
As at 30th June 2017 (unaudited)		**2,000,000**	**11,126,330**	**12,304,625**	**73,644**	**25,504,599**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended 30th June 2017 (unaudited)**	Six months ended 30th June 2016 (unaudited)
Cash flows from operating activities			
Profit before income tax		**1,576,061**	1,126,205
Share of net profits of joint ventures		**(31,042)**	(16,403)
Charge of impairment losses on loans and advances to customers		**46,412**	9,099
Depreciation expenses		**62,920**	39,506
Net losses from disposal of equipment		**1,255**	83
Net gains from disposal of available-for-sale investments		**(24,259)**	(41,042)
Interest income on held-to-maturity and available-for-sale investments		**(549,891)**	(497,173)
Dividend income		**(105,199)**	(4,218)
Hong Kong profits tax paid		**-**	(73,853)
Overseas tax paid		**(143,561)**	(119,160)
Cash flows from operating activities before changes in operating assets and liabilities		**832,696**	423,044
Changes in operating assets and liabilities:			
- Net decrease in balances with banks with original maturity beyond three months		**1,428,028**	1,865,043
- Net decrease/(increase) in placements with and loans and advances to banks with original maturity beyond three months		**5,756,039**	(7,160,723)
- Net (increase)/decrease in financial assets held for trading		**(511,378)**	25,335
- Net increase in derivative financial instruments		**(27,456)**	(61,198)
- Net (increase)/decrease in loans and advances to customers		**(8,927,125)**	784,928
- Net decrease/(increase) in other assets		**7,584**	(626,833)
- Net increase in deposits and balances from banks		**2,574,861**	205,745
- Net increase in deposits from customers		**5,727,297**	19,396
- Net increase in other liabilities and provisions		**678,556**	523,860
Net cash flows from operating activities		**7,539,102**	(4,001,403)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	**Six months ended 30th June 2017 (unaudited)**	Six months ended 30th June 2016 (unaudited)
Cash flows from investing activities			
Interest received on held-to-maturity and available-for-sale investments		**541,322**	484,910
Dividends received on available-for-sale investments		**2,700**	4,218
Dividends received from joint ventures		**3,850**	3,850
Purchases of properties and equipment		**(128,936)**	(71,161)
Additions of investment properties		**(806)**	(42,290)
Additions of properties for sale		**(4,664)**	-
Proceeds from sale of equipment		**95**	2
Purchases of available-for-sale investments		**(9,672,565)**	(8,107,570)
Purchases of held-to-maturity investments		**(2,347,362)**	(1,063,745)
Proceeds from liquidation of a joint venture		**2,633**	-
Proceeds from sale and redemption of available-for-sale investments		**8,197,536**	4,302,059
Proceeds from redemption of held-to-maturity investments		**2,379,973**	1,049,377
Net cash flows from investing activities		**(1,026,224)**	(3,440,350)
Cash flows from financing activities			
Dividend paid to equity holders		**(940,000)**	(940,000)
Dividend paid to non-controlling interests		**(400)**	(400)
Net cash flows from financing activities		**(940,400)**	(940,400)
Net increase/(decrease) in cash and cash equivalents		**5,572,478**	(8,382,153)
Cash and cash equivalents as at 1st January		**24,483,010**	34,663,066
Effect of exchange rate changes on cash and cash equivalents		**(502,386)**	(7,528)
Cash and cash equivalents as at 30th June	26	**29,553,102**	26,273,385
Cash flows from operating activities and investing activities included:			
Interest received		**2,023,047**	1,852,537
Interest paid		**(486,657)**	(561,361)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

1 General information

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 Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd., which is incorporated in the Republic of China (Taiwan).

This Group Interim Financial Disclosure Statement is presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated and was approved for issue by the Board of Directors on 16th August 2017.

2 Basis of preparation

This Group Interim Financial Disclosure Statement for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard ('HKAS') 34, 'Interim financial reporting'. The Group Interim Financial Disclosure Statement should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRSs').

The financial information relating to the year ended 31st December 2016 that is included in the 2017 Group Interim Financial Disclosure Statement as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies

Except as described below, the accounting policies applied in the preparation of the 2017 Group Interim Financial Disclosure Statement are consistent with those used and described in the Group's audited annual financial statements for the year ended 31st December 2016.

(a) The following standards, amendments and interpretations, which became effective in 2017, are relevant to the Group:

Annual improvements to HKFRSs
Annual improvements to HKFRSs contain numerous amendments to HKFRSs which the Hong Kong Institute of Certified Public Accountants ('HKICPA') considers not urgent but necessary. They comprise amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRSs. The adoption of these improvements does not have a material impact on the Group's financial statements.

Amendments to HKAS 7 'Cash flow statements' - Disclosure initiative
Amendments to HKAS 7 'Disclosure initiative' are effective for the accounting period beginning on or after 1st January 2017. The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments do not have material impact on the Group's financial statements as the Group does not have borrowings arising from financing activities.

Amendments to HKAS 12 'Income taxes' - Recognition of deferred tax assets for unrealised losses
Amendments to HKAS 12 'Recognition of deferred tax assets for unrealised losses' are effective for the accounting period beginning on or after 1st January 2017. The amendments clarify the accounting for deferred tax when an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not have material impact on the Group's financial statements as the Group has currently taken into account the unrealised losses on assets measured at fair value when calculating deferred tax assets.

(b) Amendments, new standards and interpretations issued but not yet effective for the period ended 30th June 2017:

The HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 30th June 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 4 'Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts'	1st January 2018
HKFRS 9 'Financial instruments'	1st January 2018
HKFRS 15 'Revenue from contracts with customers' and the related amendments	1st January 2018
Amendments to HKAS 40 'Transfers of investment property'	1st January 2018
HK(IFRIC)-Int 22 'Foreign currency transactions and advance consideration'	1st January 2018
HKFRS 16 'Leases'	1st January 2019
Amendments to HKFRS 10 and HKAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group is assessing the financial impacts of the amendments and preparing for their implementation on effective dates.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

3 Accounting policies (Continued)

(b) Amendments, new standards and interpretations issued but not yet effective for the period ended 30th June 2017: (Continued)

HKFRS 9 'Financial instruments'
HKFRS 9 'Financial instruments' is effective for accounting period beginning on or after 1st January 2018. The Group is in the process of preparing for the implementation of the standard by its effective date. The Group will perform parallel run during the second half of 2017 in accordance with the project plan and will assess the impact of HKFRS 9 on the Group's financial statements and will provide relevant disclosures in the year end financial statements accordingly.

HKFRS 15 'Revenue from contracts with customers' and the related amendments
HKFRS 15 'Revenue from contracts with customers' is effective for accounting period beginning on or after 1st January 2018. The standard contains a single model that applies to contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. All income in fees and commission income is in scope of HKFRS 15. The Group is in the process of assessing the financial and disclosure impact on the adoption of the standard.

4 Estimates

The preparation of the Group Interim Financial Disclosure Statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Group Interim Financial Disclosure Statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2016.

5 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

5 Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

The following is a list of the subsidiaries as at 30th June 2017:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	30th June 2017		31st December 2016	
					Total assets	**Total equity**	Total assets	Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares	[1]100%	**10**	**10**	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares	[2]60%	**14,275**	**14,056**	14,991	14,786
Shacom Futures Limited	Hong Kong	Commodities trading Hong Kong	100,000 ordinary shares	[1]100%	**30,118**	**7,707**	40,389	7,938
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares	[1]100%	**2,355,819**	**8,852**	2,467,346	1,443
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding United Kingdom	2 ordinary shares of US$1 each	[1]100%	**35,278**	**287**	32,560	(203)
Shacom Property (NY) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	[1]100%	**5,721**	**5,721**	5,685	5,685
Shacom Property (CA) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	[1]100%	**2,762**	**2,762**	2,738	2,738
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares	[1]100%	**1,012,172**	**232**	1,011,987	66
Infinite Financial Solutions Limited	Hong Kong	I.T. application services provider Hong Kong	500,000 ordinary shares	[1]100%	**28,421**	**19,583**	25,537	17,734
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares	[1]100%	**3,558**	**1,368**	2,856	1,228
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	1,000,000 ordinary shares	[1]100%	**550,274**	**159,923**	227,324	159,157
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares	[1]100%	**761**	**460**	697	461
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares	[2]60%	**279,396**	**170,055**	264,331	163,414
Right Honour Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	[1]100%	**2**	**(106)**	-	(98)
Glory Step Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**192,633**	**(2,406)**	192,680	(2,333)
Silver Wisdom Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**287,129**	**(2,618)**	287,190	(2,532)
KCC 23F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	[1]100%	**295,672**	**95,856**	292,684	92,974
KCC 25F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	[1]100%	**297,669**	**97,767**	294,666	94,869
KCC 26F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	[1]100%	**299,671**	**99,894**	296,657	96,985

[1] Ordinary share capital is held directly by the Bank.
[2] 60% of ordinary share capital is held directly by the Bank and 40% of ordinary share capital is held by non-controlling interests in equity.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

5 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 ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have right to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

6 Net interest income

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Interest income		
Cash and balances with banks	**293,947**	213,946
Held-to-maturity and available-for-sale investments	**549,891**	497,173
Loans and advances to customers	**1,200,642**	1,093,971
Others	**4,117**	3,614
Interest income on financial assets that are not at fair value through profit or loss	**2,048,597**	1,808,704
Included within interest income		
Interest income accrued on impaired financial assets	**263**	440
Interest expense		
Deposits and balances from bank	**52,490**	33,668
Deposits from customers	**511,220**	525,508
Others	**1,564**	1,193
Interest expense on financial liabilities that are not at fair value through profit or loss	**565,274**	560,369

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

7 Net fee and commission income

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Fee and commission income		
Bills	**48,403**	46,477
Nominees, custodian and securities brokerage	**91,617**	74,048
Wealth management products	**74,999**	47,126
Remittance	**29,107**	26,315
Facility fees	**69,981**	58,949
Credit cards	**20,701**	21,844
Retail banking	**23,613**	22,489
Insurance	**23,475**	38,199
Loans and advances	**2,436**	2,963
Trust and other commissions	**1,781**	1,826
	386,113	340,236
Fee and commission expense		
Bills	**3,463**	2,369
Nominees, custodian and securities brokerage	**7,574**	7,060
Retail banking	**10,510**	9,207
Credit cards	**49**	34
Remittance	**21**	36
	21,617	18,706
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	**141,521**	130,233
- fee and commission expense	**3,512**	2,403
Net fee and commission income on trust and other fiduciary activities		
- fee and commission income	**10,892**	11,162

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.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

8 Net trading income

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Foreign exchange	**234,288**	125,789
Interest rate instruments	**18,620**	9,907
Equities	**21,655**	1,136
Other trading income	**1,016**	2,122
	275,579	138,954

'Foreign exchange' 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.

9 Other operating income

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Gross rental income from investment properties	**36,201**	4,888
Others	**37,652**	33,097
	73,853	37,985

Direct operating expenses arising from investment properties of HK$4,000 are included in building expenses (Note 11) (six months ended 30th June 2016: HK$2,343,000), of which nil (six months ended 30th June 2016: HK$1,614,000) are related to investment properties that do not generate rental income.

10 Net earned insurance premium and net insurance claims incurred and movement in policyholders' liabilities

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Insurance premium revenue	**28,506**	29,414
Insurance premium ceded to reinsurers	**(7,723)**	(7,498)
	20,783	21,916

The related net insurance claims incurred and movement in policyholders' liabilities of HK$10,426,000 (six months ended 30th June 2016: HK$10,613,000) were shown after being netted off with the insurance claims and loss adjustment expenses recovered from reinsurers of HK$852,000 (six months ended 30th June 2016: HK$858,000).

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

11 Operating expenses

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Auditor's remuneration		
Statutory audit services	**3,357**	3,117
Non-statutory audit and other services (Note a)	**2,912**	2,677
Advertising costs	**14,216**	9,873
Depreciation expenses	**62,920**	39,506
Employee benefit expenses		
Wages and salaries and other costs (Note b)	**414,396**	378,879
Pension costs - defined contribution schemes	**28,776**	29,944
Pension costs - defined benefit schemes	**-**	12
Premises and equipment expenses, excluding depreciation		
Rental of premises	**58,263**	77,124
Building expenses	**16,583**	19,950
Other operating expenses		
Computer rental and licence	**10,758**	8,765
Credit card business promotion	**13,851**	16,084
Credit card service fee	**5,802**	5,167
Insurance	**2,529**	2,573
Legal and consultancy	**17,268**	5,606
Postage	**7,404**	7,064
Printing and stationery	**4,920**	4,760
Repair and maintenance	**10,637**	8,991
Telephone and communications	**15,793**	14,064
Travelling and transportation	**3,099**	2,681
Water, heat and light	**8,410**	7,268
Others	**42,486**	40,278
	744,380	684,383

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 group 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 2017 was 1,735 (30th June 2016: 1,753).

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

12 Charge of impairment losses on loans and advances to customers

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Trade bills	**29**	120
Loans and advances to customers	**46,383**	8,979
	46,412	9,099
Net charge/ (reversal) of impairment losses		
- Individually assessed	**13,740**	9,595
- Collectively assessed	**32,672**	(496)
	46,412	9,099
Of which		
- new allowances	**65,647**	30,786
- releases	**(15,067)**	(19,477)
- recoveries	**(4,168)**	(2,210)
Net charge to statement of profit or loss	**46,412**	9,099

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

13 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2016: 16.5%) on the estimated assessable profits for the six months ended 30th June 2017. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30th June 2017 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the statement of profit or loss represents:

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Current income tax:		
- Hong Kong profits tax	**203,501**	143,982
- Overseas taxation	**111,847**	99,038
- Over provisions in respect of prior years	**(3,081)**	(1,933)
Total current income tax	**312,267**	241,087
Deferred income tax:		
- Hong Kong deferred tax	**(9,606)**	2,634
- Overseas deferred tax	**4,614**	3,041
Total deferred income tax	**(4,992)**	5,675
Income tax expense	**307,275**	246,762

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

14 Cash and balances with banks

	30th June 2017 (unaudited)	31st December 2016 (audited)
Cash in hand	**327,854**	359,477
Balances with central banks and Hong Kong Monetary Authority	**15,323,626**	7,322,108
Balances with banks	**11,431,923**	16,938,910
	27,083,403	24,620,495

Included in the above amount, HK$399,470,000 (31st December 2016: HK$356,883,000) were deposited in central banks or designated banks to comply with the statutory requirements of respective jurisdictions in which the Group is operating the business.

15 Placements with and loans and advances to banks

	30th June 2017 (unaudited)	31st December 2016 (audited)
Placements with banks maturing between 1 and 12 months	**22,141,776**	26,485,410
Loans and advances to banks maturing between 1 and 12 months	**78,055**	77,557
	22,219,831	26,562,967

Included in the above amounts, HK$373,669,000 (31st December 2016: HK$364,233,000) were deposited with designated banks in the People's Republic of China as at 30th June 2017, to comply with the local statutory requirement. No impairment allowances for the placements with and loans and advances to banks were needed.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers

	30th June 2017 (unaudited)	31st December 2016 (audited)
Loans and advances to individuals	**15,645,135**	15,162,357
Loans and advances to corporate entities	**58,088,487**	49,641,417
Gross loans and advances to customers	**73,733,622**	64,803,774
Less: impairment allowances		
- Individually assessed	**(42,847)**	(26,029)
- Collectively assessed	**(292,658)**	(257,747)
	73,398,117	64,519,998
Gross trade bills and other eligible bills, included within loans and advances to customers	**701,482**	673,580
Less: impairment allowances on trade bills		
- Collectively assessed	**(883)**	(912)
	700,599	672,668

The Group accepted listed securities at fair value of HK$4,484,916,000 as at 30th June 2017 (31st December 2016: HK$3,364,389,000) as collateral for shares financing facilities. These securities are permitted to be sold or re-pledged in the event of default by the borrowers.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

17 Derivative financial instruments

		Fair values	
	Contract amount	Assets	Liabilities
As at 30th June 2017 (unaudited)			
Derivatives held for trading			
Exchange rate contracts			
Forwards and swaps	**33,475,770**	**127,708**	**(82,125)**
Options purchased	**1,092,269**	**1,797**	**-**
Options written	**1,084,845**	**-**	**(1,797)**
Total recognised derivative assets/(liabilities)		**129,505**	**(83,922)**

		Fair values	
	Contract amount	Assets	Liabilities
As at 31st December 2016 (audited)			
Derivatives held for trading			
Exchange rate contracts			
Forwards and swaps	43,857,345	239,247	(221,120)
Total recognised derivative assets/(liabilities)		239,247	(221,120)

	Credit risk weighted amount	
	30th June 2017 (unaudited)	31st December 2016 (audited)
Exchange rate contracts	**205,235**	243,247

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 2017 and 31st December 2016 are the amounts that have been calculated in accordance with the Banking (Capital) Rules.

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

The Group uses the following derivative strategies:

- Trading purposes (customer needs)
  The Group offers its customers derivatives in connection with their risk-management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. The Group also manages its derivative-risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

- Trading purposes (own account)
  The Group trades derivatives for its own account. These derivatives entered into in order to take proprietary positions. Trading limits and price verification controls are key aspects of this activity.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

18 Properties for sale

	30th June 2017 (unaudited)	31st December 2016 (audited)
Property development		
Leasehold land held for development for sale	**358,788**	358,788
Building development cost	**4,664**	-
	363,452	358,788

19 Investments in joint ventures

On 20th March 2017, the Bank along with other four shareholders of Hong Kong Life Insurance Limited ('Hong Kong Life') entered into an agreement with First Origin International Limited to sell their entire interest in Hong Kong Life at a consideration of HK$7.1 billion. The completion of the transaction is subject to approvals by the relevant regulators.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

20 Properties and equipment

				Property under development		
	Leasehold land	Bank premises	Furniture, fittings and equipment	Leasehold land	Development cost	Total
As at 1st January 2016						
Cost	1,210,817	812,489	645,077	654,449	240,505	3,563,337
Accumulated depreciation	(103,949)	(249,917)	(565,547)	(6,264)	-	(925,677)
Net book amount	1,106,868	562,572	79,530	648,185	240,505	2,637,660
Year ended 31st December 2016						
Opening net book amount	1,106,868	562,572	79,530	648,185	240,505	2,637,660
Additions	-	17,968	100,813	-	27,572	146,353
Transfers						
Cost	654,449	268,077	-	(654,449)	(268,077)	-
Accumulated depreciation	(6,459)	-	-	6,459	-	-
Transfers from investment properties (Note 21)						
Cost	7,778	5,304	-	-	-	13,082
Accumulated depreciation	(341)	(1,389)	-	-	-	(1,730)
Transfers to properties for sale (Note 18)						
Cost	(360,733)	-	-	-	-	(360,733)
Accumulated depreciation	1,945	-	-	-	-	1,945
Disposals / write-off						
Cost	-	(3,522)	(34,601)	-	-	(38,123)
Accumulated depreciation	-	3,522	32,731	-	-	36,253
Depreciation charge	(17,757)	(41,698)	(34,095)	(195)	-	(93,745)
Exchange adjustments	-	(4,150)	(224)	-	-	(4,374)
Closing net book amount	1,385,750	806,684	144,154	-	-	2,336,588
As at 31st December 2016 (audited)						
Cost	1,512,311	1,094,481	707,532	-	-	3,314,324
Accumulated depreciation	(126,561)	(287,797)	(563,378)	-	-	(977,736)
Net book amount	1,385,750	806,684	144,154	-	-	2,336,588
Six months ended 30th June 2017						
Opening net book amount	**1,385,750**	**806,684**	**144,154**	**-**	**-**	**2,336,588**
Additions	-	**733**	**126,648**	**-**	**1,555**	**128,936**
Transfers						
Cost	**(120,244)**	**-**	**-**	**120,244**	**-**	**-**
Accumulated depreciation	**648**	**-**	**-**	**(648)**	**-**	**-**
Disposals / write-off						
Cost	**-**	**-**	**(15,353)**	**-**	**-**	**(15,353)**
Accumulated depreciation	**-**	**-**	**14,003**	**-**	**-**	**14,003**
Depreciation charge	**(8,716)**	**(24,058)**	**(25,634)**	**(69)**	**-**	**(58,477)**
Exchange adjustments	**-**	**1,684**	**121**	**-**	**-**	**1,805**
Closing net book amount	**1,257,438**	**785,043**	**243,939**	**119,527**	**1,555**	**2,407,502**
As at 30th June 2017 (unaudited)						
Cost	**1,392,067**	**1,097,684**	**820,426**	**120,244**	**1,555**	**3,431,976**
Accumulated depreciation	**(134,629)**	**(312,641)**	**(576,487)**	**(717)**	**-**	**(1,024,474)**
Net book amount	**1,257,438**	**785,043**	**243,939**	**119,527**	**1,555**	**2,407,502**

In 2016, property under development represented the related costs paid for the re-development of the Bank's new Head Office building in Central, Hong Kong, the carrying amounts had been transferred to leasehold land and buildings as a result of the completion of the re-development project during 2016. As at 30th June 2017, property under development represented the related costs paid for the re-development of the Bank's building in West Point, Hong Kong.

As at 30th June 2017, interests in freehold land outside Hong Kong amounted to HK$34,097,000 (31st December 2016: HK$33,029,000) are included as bank premises above.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

21 Investment properties

			Property under development		
	Leasehold land	Buildings	Leasehold land	Buildings	Total
As at 1st January 2016					
Cost	3,211	3,418	729,457	268,070	1,004,156
Accumulated depreciation	(269)	(1,295)	(6,982)	-	(8,546)
Net book amount	2,942	2,123	722,475	268,070	995,610
Year ended 31st December 2016					
Opening net book amount	2,942	2,123	722,475	268,070	995,610
Additions	-	19,796	-	30,732	50,528
Transfers					
Cost	729,457	298,802	(729,457)	(298,802)	-
Accumulated depreciation	(7,200)	-	7,200	-	-
Transfers to properties and equipment (Note 20)					
Cost	(7,778)	(5,304)	-	-	(13,082)
Accumulated depreciation	341	1,389	-	-	1,730
Depreciation charge	(676)	(6,112)	(218)	-	(7,006)
Closing net book amount	717,086	310,694	-	-	1,027,780
As at 31st December 2016 (audited)					
Cost	724,890	316,712	-	-	1,041,602
Accumulated depreciation	(7,804)	(6,018)	-	-	(13,822)
Net book amount	717,086	310,694	-	-	1,027,780
Six months ended 30th June 2017					
Opening net book amount	**717,086**	**310,694**	**-**	**-**	**1,027,780**
Additions	**-**	**806**	**-**	**-**	**806**
Depreciation charge	**(432)**	**(4,011)**	**-**	**-**	**(4,443)**
Closing net book amount	**716,654**	**307,489**	**-**	**-**	**1,024,143**
As at 30th June 2017 (unaudited)					
Cost	**724,890**	**317,518**	**-**	**-**	**1,042,408**
Accumulated depreciation	**(8,236)**	**(10,029)**	**-**	**-**	**(18,265)**
Net book amount	**716,654**	**307,489**	**-**	**-**	**1,024,143**

As at 30th June 2017, the Group's investment properties were valued at HK$2,948,277,000 by an independent firm of chartered surveyors, Jones Lang LaSalle Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The valuations were performed on an open market value basis.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Deposits from customers

	30th June 2017 (unaudited)	31st December 2016 (audited)
Demand deposits and current accounts	**17,750,450**	15,124,727
Savings deposits	**43,655,439**	42,942,667
Time, call and notice deposits	**80,814,957**	78,428,749
Deposits from Hong Kong Government Exchange Fund	**390,785**	388,191
	142,611,631	136,884,334

23 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

(i) Balances with banks and placements with and loans and advances to banks

Balances with banks and placements with and loans and advances to banks include inter-bank placements. The maturities of these financial assets are within one year. The carrying amount at the reporting date approximates their fair value.

(ii) Loans and advances to customers

Loans and advances are stated net of impairment allowances. An insignificant portion of loans and advances to customers bears interest at fixed rate. The carrying amount at the reporting date approximates their fair value.

(iii) Held-to-maturity securities

The fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value of held-to-maturity securities is HK$2,488,420,000 (31st December 2016: HK$2,515,769,000). The fair value of held-to-maturity securities is classified under Level 1 (30th June 2017: HK$2,410,127,000, 31st December 2016: HK$2,360,571,000) and Level 2 (30th June 2017: HK$78,293,000, 31st December 2016: HK$155,198,000) in the fair value hierarchy. Please refer to Note 23(b) for the definition of fair value hierarchy.

(iv) Deposits and balances from banks and deposits from customers

Substantially all the deposits and balances from banks and deposits from customers will mature within 1 year from the reporting date. Hence, the carrying amount at the reporting date approximates their fair value.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

23 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy

Valuation governance

The Group has in place fair valuation policy to ensure adequate governance and control processes for the designation and valuation of financial instruments to be measured at fair value for financial reporting, risk management and regulatory capital purposes. The valuation process is conducted by control units independent of risk taking units.

The Group is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, funds and debt securities on exchanges and paper gold.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments such as over-the-counter derivative contracts, unlisted equities securities, and unlisted debt securities. Observable parameters that are used as input include market data such as HIBOR and LIBOR yield curves and exchange rate implied volatilities.

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity securities and debt securities with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

23 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Recurring fair value measurement

As at 30th June 2017 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
Debt securities	**416,639**	**501,696**	**-**	**918,335**
Equity securities	**116,893**	**-**	**-**	**116,893**
Funds and others	**2,551**	**-**	**-**	**2,551**
Derivative financial instruments				
Exchange rate contracts	**-**	**129,505**	**-**	**129,505**
Available-for-sale investments				
Debt securities	**11,697,652**	**31,031,897**	**2,874**	**42,732,423**
Equity securities	**5,312,244**	**91,398**	**33,870**	**5,437,512**
Total Assets	**17,545,979**	**31,754,496**	**36,744**	**49,337,219**
Derivative financial instruments				
Exchange rate contracts	**-**	**83,922**	**-**	**83,922**
Total Liabilities	**-**	**83,922**	**-**	**83,922**

As at 31st December 2016 (audited)	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Debt securities	184,579	217,169	-	401,748
Equity securities	120,449	-	-	120,449
Funds and others	4,204	-	-	4,204
Derivative financial instruments				
Exchange rate contracts	-	239,247	-	239,247
Available-for-sale investments				
Debt securities	9,506,218	31,644,400	2,874	41,153,492
Equity securities	4,201,554	73,961	33,690	4,309,205
Total Assets	14,017,004	32,174,777	36,564	46,228,345
Derivative financial instruments				
Exchange rate contracts	-	221,120	-	221,120
Total Liabilities	-	221,120	-	221,120

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

23 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Level 2 fair values of unlisted debt securities are determined based on quotes from brokers. The most significant input is discount rate of the instruments.

Level 2 fair values of unlisted equity securities are determined based on quoted prices for identical assets from over-the-counter market.

Level 2 fair values of exchange rate contracts and options are determined using forward exchange rates and implied volatilities at the reporting date, with the resulting value discounted back to present value.

Level 3 fair values of unlisted equity securities and debentures are stated at cost which is considered to be a reasonable approximation of the fair value.

The following table presents the changes in level 3 instruments for the six months ended 30th June 2016 and 2017 respectively.

	Available-for-sale investments		
	Equity securities	Debt securities	Total
As at 1st January 2016	2,939,273	2,874	2,942,147
Total loss			
- Other comprehensive loss	(27,743)	-	(27,743)
Purchases	-	-	-
Exchange adjustments	(1,004)	-	(1,004)
As at 30th June 2016 (unaudited)	2,910,526	2,874	2,913,400
As at 1st January 2017	**33,690**	**2,874**	**36,564**
Total gains			
- Other comprehensive income	**-**	**-**	**-**
Purchases	**-**	**-**	**-**
Exchange adjustments	**180**	**-**	**180**
As at 30th June 2017 (unaudited)	**33,870**	**2,874**	**36,744**

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

24 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 shown below:

Deferred income tax assets	Impairment allowances	Accelerated tax depreciation	Fair value losses on available-for-sale investments	Others	Total
As at 1st January 2016	40,181	(7,745)	31	15,104	47,571
Credited/(charged) to the statement of profit or loss	5,674	(150)	-	3,133	8,657
Exchange adjustments	(1,478)	1,184	-	(82)	(376)
Charged to equity	-	-	-	-	-
Reclassified from deferred income tax liabilities	-	-	8	-	8
As at 31st December 2016 (audited)	44,377	(6,711)	39	18,155	55,860
(Charged) /credited to the statement of profit or loss	**3,219**	**(877)**	**-**	**(2,493)**	**(151)**
Exchange adjustments	**1,033**	**(433)**	**-**	**90**	**690**
Charged to equity	**-**	**-**	**(65)**	**-**	**(65)**
Reclassified from deferred income tax liabilities	**-**	**-**	**56**	**-**	**56**
As at 30th June 2017 (unaudited)	**48,629**	**(8,021)**	**30**	**15,752**	**56,390**

Deferred income tax liabilities	Impairment allowances	Accelerated tax depreciation	Fair value gains on available-for-sale investments	Others	Total
As at 1st January 2016	30,634	(10,494)	(311,239)	(1,155)	(292,254)
Charged to the statement of profit or loss	(673)	(9,859)	-	(38)	(10,570)
Charged to equity	-	-	(174,046)	-	(174,046)
Reclassified to deferred income tax assets	-	-	(8)	-	(8)
As at 31st December 2016 (audited)	29,961	(20,353)	(485,293)	(1,193)	(476,878)
Credited to the statement of profit or loss	**4,132**	**1,011**	**-**	**-**	**5,143**
Charged to equity	**-**	**-**	**(141,726)**	**-**	**(141,726)**
Reclassified to current income tax liabilities	**-**	**-**	**-**	**1,193**	**1,193**
Reclassified to deferred income tax assets	**-**	**-**	**(56)**	**-**	**(56)**
As at 30th June 2017 (unaudited)	**34,093**	**(19,342)**	**(627,075)**	**-**	**(612,324)**

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

25 Reserves attributable to equity holders

	Regulatory reserve (Note)	Available-for-sale investments revaluation reserve	General and other reserves	Total
As at 1st January 2016	696,550	1,574,971	7,296,974	9,568,495
Change in fair value of available-for-sale investments	-	1,269,506	-	1,269,506
Realised on disposal of available-for-sale investments	-	(181,639)	-	(181,639)
Effect of deferred taxation	-	(174,105)	-	(174,105)
Currency translation differences	(1,856)	(32,685)	(83,177)	(117,718)
Share of reserves of joint ventures	-	14,125	(30,408)	(16,283)
Transfer from retained earnings	9,408	-	-	9,408
As at 31st December 2016 (audited)	704,102	2,470,173	7,183,389	10,357,664
As at 1st January 2017	**704,102**	**2,470,173**	**7,183,389**	**10,357,664**
Change in fair value of available-for-sale investments	**-**	**856,369**	**-**	**856,369**
Realised on disposal of available-for-sale investments	**-**	**(24,259)**	**-**	**(24,259)**
Effect of deferred taxation	**-**	**(141,765)**	**-**	**(141,765)**
Currency translation differences	**1,535**	**27,069**	**43,614**	**72,218**
Share of reserves of joint ventures	**-**	**5,965**	**138**	**6,103**
As at 30th June 2017 (unaudited)	**705,637**	**3,193,552**	**7,227,141**	**11,126,330**

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 ('HKMA').

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

26 Cash and cash equivalents

For the purposes of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months' maturity from the date of acquisition and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	30th June 2017 (unaudited)	30th June 2016 (unaudited)
Cash and balances with banks	**25,372,072**	22,616,452
Placements with and loans and advances to banks	**4,181,030**	3,656,933
	29,553,102	26,273,385

27 Contingent liabilities and commitments

(a) Credit commitments

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

	30th June 2017 (unaudited)	31st December 2016 (audited)
Direct credit substitutes	**2,630,352**	2,402,064
Trade-related contingencies	**2,293,631**	2,155,086
Forward forward deposits placed	**-**	376,558
Other commitments with an original maturity of:		
- under 1 year	**1,331,949**	343,116
- 1 year and over	**7,326,110**	7,205,384
- unconditionally cancellable	**32,032,481**	31,997,472
	45,614,523	44,479,680

The credit risk weighted amount of credit commitment is HK$6,563,443,000 (31st December 2016: HK$6,266,622,000).

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.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

27 Contingent liabilities and commitments (Continued)

(b) Capital commitments

Capital expenditure at the reporting date but not yet incurred is as follows:

	30th June 2017 (unaudited)	31st December 2016 (audited)
Properties and equipment		
Contracted but not provided for	**156,948**	178,851
Authorised but not contracted for	**58,958**	115,351
	215,906	294,202

(c) Operating lease commitments

(i) As lessee
Where a group company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	30th June 2017 (unaudited)	31st December 2016 (audited)
No later than 1 year	**92,939**	94,688
Later than 1 year and no later than 5 years	**109,224**	102,135
Later than 5 years	**14,668**	19,208
	216,831	216,031

(ii) As lessor
Where a group company is the lessor, the future minimum lease receivables under non-cancellable operating leases are as follows:

	30th June 2017 (unaudited)	31st December 2016 (audited)
No later than 1 year	**84,835**	83,640
Later than 1 year and no later than 5 years	**153,135**	195,926
	237,970	279,566

The Group leases its investment properties (Note 21) under operating lease arrangements, with leases typically for a period from 3 to 5 years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.

(d) Other contingent liabilities

The Group is involved in legal actions which are in relation to its normal business operations. No material provision was made for those actions against the Group because the management believes that the Group has adequate grounds to defend against the claimants or the amounts involved in those actions are not expected to be material.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

28 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

As at 30th June 2017 (unaudited)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	21,841,278	5,242,125	-	-	-	-	-	27,083,403
Placements with and loans and advances to banks	-	-	8,890,620	13,329,211	-	-	-	22,219,831
Loans and advances to customers	4,776,807	4,818,826	5,568,484	15,338,864	24,719,912	17,221,920	953,304	73,398,117
Financial assets held for trading	-	-	-	16,559	232,851	668,617	119,752	1,037,779
Derivative financial instruments	-	57,773	19,369	51,986	377	-	-	129,505
Available-for-sale investments	-	740,802	1,817,453	9,859,589	29,514,122	797,583	5,440,386	48,169,935
Held-to-maturity investments	-	15,627	351,619	1,651,040	466,353	-	-	2,484,639
Properties for sale	-	-	-	-	-	-	363,452	363,452
Investments in joint ventures	-	-	-	-	-	-	334,248	334,248
Properties and equipment	-	-	-	-	-	-	2,407,502	2,407,502
Investment properties	-	-	-	-	-	-	1,024,143	1,024,143
Deferred income tax assets	-	-	-	-	-	-	56,390	56,390
Other assets	100,971	683,715	49,345	34,207	86,499	-	4,213	958,950
Total assets	26,719,056	11,558,868	16,696,890	40,281,456	55,020,114	18,688,120	10,703,390	179,667,894
Liabilities								
Deposits and balances from banks	2,594,023	2,563,697	2,377,097	941,196	-	-	-	8,476,013
Deposits from customers	62,435,840	29,673,880	28,706,201	21,568,063	227,647	-	-	142,611,631
Derivative financial instruments	-	20,541	12,319	50,685	377	-	-	83,922
Other liabilities	554,713	1,175,745	75,175	245,132	-	-	-	2,050,765
Provisions	-	-	-	94,709	-	-	-	94,709
Current income tax liabilities	-	-	-	233,931	-	-	-	233,931
Deferred income tax liabilities	-	-	-	-	-	-	612,324	612,324
Total liabilities	65,584,576	33,433,863	31,170,792	23,133,716	228,024	-	612,324	154,163,295
Net liquidity gap	(38,865,520)	(21,874,995)	(14,473,902)	17,147,740	54,792,090	18,688,120	10,091,066	25,504,599
Of which certificates of deposit included in: Available-for-sale investments	-	667,855	1,467,388	5,737,248	8,163,744	485,721	-	16,521,956

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

28 Maturity analysis (Continued)

As at 31st December 2016 (audited)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	9,935,968	14,684,527	-	-	-	-	-	24,620,495
Placements with and loans and advances to banks	-	-	9,275,481	17,287,486	-	-	-	26,562,967
Loans and advances to customers	9,852,976	3,690,506	4,803,884	8,604,866	17,556,488	19,136,575	874,703	64,519,998
Financial assets held for trading	-	226	226	30,259	90,389	280,648	124,653	526,401
Derivative financial instruments	-	59,347	63,777	116,123	-	-	-	239,247
Available-for-sale investments	-	716,086	1,098,519	8,774,922	29,837,652	723,439	4,312,079	45,462,697
Held-to-maturity investments	-	-	1,019,474	792,695	703,194	-	-	2,515,363
Properties for sale	-	-	-	-	-	-	358,788	358,788
Investments in joint ventures	-	-	-	-	-	-	303,571	303,571
Properties and equipment	-	-	-	-	-	-	2,336,588	2,336,588
Investment properties	-	-	-	-	-	-	1,027,780	1,027,780
Deferred income tax assets	-	-	-	-	-	-	55,860	55,860
Other assets	30,255	672,260	4,137	36,699	92,045	-	4,119	839,515
Total assets	19,819,199	19,822,952	16,265,498	35,643,050	48,279,768	20,140,662	9,398,141	169,369,270
Liabilities								
Deposits and balances from banks	1,038,215	3,409,039	515,480	938,418	-	-	-	5,901,152
Deposits from customers	59,272,247	29,279,409	30,120,247	18,069,761	142,670	-	-	136,884,334
Derivative financial instruments	-	60,551	51,578	108,991	-	-	-	221,120
Other liabilities	32,715	1,131,756	37,602	170,233	-	-	-	1,372,306
Provisions	-	81,432	6,978	-	6,091	111	-	94,612
Current income tax liabilities	-	-	-	39,177	-	-	-	39,177
Deferred income tax liabilities	-	-	-	-	-	-	476,878	476,878
Total liabilities	60,343,177	33,962,187	30,731,885	19,326,580	148,761	111	476,878	144,989,579
Net liquidity gap	(40,523,978)	(14,139,235)	(14,466,387)	16,316,470	48,131,007	20,140,551	8,921,263	24,379,691
Of which certificates of deposit included in:								
Available-for-sale investments	-	437,058	590,900	6,645,297	10,987,443	485,191	-	19,145,889

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

29 Related Party Transactions

A number of banking transactions were entered into with related parties by the Group in the normal course of business and at arm's length basis. These include loans, deposits, trade finance transactions and investment transactions. The outstanding balances of the related party transactions at the reporting date, and related expense and income for the period are as follows:

As at 30th June 2017 (unaudited)	**Ultimate holding company and fellow subsidiaries**	**Joint ventures**	**Key management personnel (Note)**	**Other related parties**	**Total**
Aggregate amounts outstanding at the period end					
- Loans and advances	**-**	**-**	**143,807**	**-**	**143,807**
- Cash and balances with banks	**5**	**-**	**-**	**45,689**	**45,694**
- Deposits and balances from banks and customers	**426,061**	**400,830**	**1,660,049**	**1,813,995**	**4,300,935**
- Available-for-sale investments	**91,397**	**-**	**-**	**507,347**	**598,744**
- Collectively assessed impairment allowances	**-**	**-**	**586**	**-**	**586**
- Contingent liabilities and other commitments	**7,821**	**212,000**	**1,043,858**	**-**	**1,263,679**
Six months ended 30th June 2017 (unaudited)					
Interest income received from related parties	**1,624**	**-**	**2,091**	**57**	**3,772**
Interest expenses paid to related parties	**1,193**	**1,556**	**1,267**	**11,470**	**15,486**

As at 31st December 2016 (audited)	Ultimate holding company and fellow subsidiaries	Joint ventures	Key management personnel (Note)	Other related parties	Total
Aggregate amounts outstanding at the year end					
- Loans and advances	-	16,368	146,956	-	163,324
- Cash and balances with banks	445,335	-	-	22,947	468,282
- Deposits and balances from banks and customers	677,375	247,325	1,378,200	1,299,970	3,602,870
- Available-for-sale investments	73,961	-	-	470,409	544,370
- Collectively assessed impairment allowances	-	65	611	-	676
- Contingent liabilities and other commitments	7,769	195,632	821,032	-	1,024,433
Six months ended 30th June 2016 (unaudited)					
Interest income received from related parties	-	28	4,411	20	4,459
Interest expenses paid to related parties	1,153	4,993	2,075	7,249	15,470

Note: Include key management personnel and Directors of the Bank and the ultimate holding company, their close family members and entities that are controlled or jointly controlled, directly or indirectly, by key management perosnnel or Directors.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

29 Related Party Transactions (Continued)

Key management personnel compensation

The compensation for Directors and key management personnel of the Bank is as follows:

	Six months ended 30th June 2017 (unaudited)	Six months ended 30th June 2016 (unaudited)
Salaries and other short-term employee benefits	**26,758**	26,987

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures

1.1 Capital and risk weighted amounts ('RWA')

(a) Capital structure and adequacy

The calculation of the capital adequacy ratios as at 30th June 2017 and 31st December 2016 is based on the Banking (Capital) Rules ('BCR'). The capital adequacy ratios represent the consolidated ratios of the Bank's Hong Kong offices and its overseas branches, 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, Shacom Insurance Brokers Limited, KCC 23F Limited, KCC 25F Limited, and KCC 26F Limited computed in accordance with Section 3C(1) of the BCR.

For accounting purposes, the basis of consolidation is described in Note 5 to the Group Interim Financial Disclosure Statement.

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of consolidation respectively as at 30th June 2017.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets		
Cash and balances with banks	**27,083,403**	**27,079,797**
Placements with and loans and advances to banks	**22,219,831**	**22,219,831**
Loans and advances to customers	**73,398,117**	**73,398,117**
Financial assets held for trading	**1,037,779**	**1,000,315**
Derivative financial instruments	**129,505**	**129,505**
Available-for-sale investments	**48,169,935**	**48,113,315**
Held-to-maturity investments	**2,484,639**	**2,484,639**
Properties for sale	**363,452**	**363,452**
Investments in joint ventures	**334,248**	**113,000**
Investments in and amounts due from subsidiaries	**-**	**187,856**
Properties and equipment	**2,407,502**	**2,410,876**
Investment properties	**1,024,143**	**1,024,143**
Deferred income tax assets	**56,390**	**56,372**
Other assets	**958,950**	**909,796**
Total assets	**179,667,894**	**179,491,014**
Liabilities		
Deposits and balances from banks	**8,476,013**	**8,476,013**
Deposits from customers	**142,611,631**	**142,611,631**
Derivatives financial instruments	**83,922**	**83,922**
Amounts due to subsidiaries	**-**	**362,810**
Other liabilities	**2,050,765**	**1,910,348**
Provisions	**94,709**	**93,709**
Current income tax liabilities	**233,931**	**232,445**
Deferred income tax liabilities	**612,324**	**612,240**
Total liabilities	**154,163,295**	**154,383,118**
Equity		
Share capital	**2,000,000**	**2,000,000**
Retained earnings	**12,304,625**	**12,003,155**
Reserves	**11,126,330**	**11,104,741**
Non-controlling interests	**73,644**	**-**
Total equity	**25,504,599**	**25,107,896**
Total equity and liabilities	**179,667,894**	**179,491,014**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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 as at 30th June 2017.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks	**27,083,403**	**27,079,797**	
Placements with and loans and advances to banks	**22,219,831**	**22,219,831**	
Loans and advances to customers	**73,398,117**	**73,398,117**	
of which: collective impairment allowances reflected in regulatory capital		***292,658***	(1)
Financial assets held for trading	**1,037,779**	**1,000,315**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***10,449***	(2)
Derivative financial instruments	**129,505**	**129,505**	
Available-for-sale investments	**48,169,935**	**48,113,315**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***2,920,206***	(3)
Held-to-maturity investments	**2,484,639**	**2,484,639**	
Properties for sale	**363,452**	**363,452**	
Investments in joint ventures	**334,248**	**113,000**	
Investments in and amounts due from subsidiaries	**-**	**187,856**	
Properties and equipment	**2,407,502**	**2,410,876**	
Investment properties	**1,024,143**	**1,024,143**	
Deferred income tax assets	**56,390**	**56,372**	(4)
Other assets	**958,950**	**909,796**	
Total assets	**179,667,894**	**179,491,014**	
Liabilities			
Deposits and balances from banks	**8,476,013**	**8,476,013**	
Deposits from customers	**142,611,631**	**142,611,631**	
Derivatives financial instruments	**83,922**	**83,922**	
Amounts due to subsidiaries	**-**	**362,810**	
Other liabilities	**2,050,765**	**1,910,348**	
Provisions	**94,709**	**93,709**	
Current income tax liabilities	**233,931**	**232,445**	
Deferred income tax liabilities	**612,324**	**612,240**	
Total liabilities	**154,163,295**	**154,383,118**	
Equity			
Share capital	**2,000,000**	**2,000,000**	
of which: paid-in share capital		***2,000,000***	(5)
Retained earnings	**12,304,625**	**12,003,155**	
of which: retained earnings		***12,003,155***	(6)
Reserves	**11,126,330**	**11,104,741**	
of which: accumulated other comprehensive income/ (loss), other than regulatory reserve		***10,399,104***	(7)
regulatory reserve		***705,637***	(8)
Non-controlling interests	**73,644**	**-**	
Total equity	**25,504,599**	**25,107,896**	
Total equity and liabilities	**179,667,894**	**179,491,014**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 30th June 2017 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		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	**2,000,000**	(5)
2	Retained earnings	**12,003,155**	(6)
3	Disclosed reserves	**11,104,741**	(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**	**25,107,896**	
	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	**56,372**	(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)	**2,930,655**	(2) + (3)
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	**705,637**	
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	**705,637**	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	**-**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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)		
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**	**3,692,664**	
29	**CET1 capital**	**21,415,232**	
	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)**	**21,415,232**	
	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	**998,295**	(1) + (8)
51	**Tier 2 capital before regulatory deductions**	**998,295**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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		
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)	-	
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**	-	
58	**Tier 2 capital**	**998,295**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**22,413,527**	
60	**Total risk weighted assets**	**127,584,724**	
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	**16.8%**	
62	Tier 1 capital ratio	**16.8%**	
63	Total capital ratio	**17.6%**	
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)	**6.5%**	
65	of which: capital conservation buffer requirement	**1.250%**	
66	of which: bank specific countercyclical buffer requirement	**0.8%**	
67	of which: G-SIB and D-SIB buffer requirement	**0.0%**	
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	**12.3%**	
	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	**2,434,590**	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	**392,094**	
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

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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			
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)	**998,295**	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	**1,466,940**	
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
10	**Deferred tax assets net of deferred tax liabilities ('DTA')**	**56,372**	-
	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 amount 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

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) Capital structure and adequacy (Continued)

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of consolidation respectively as at 31st December 2016.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets		
Cash and balances with banks	24,620,495	24,616,688
Placements with and loans and advances to banks	26,562,967	26,562,967
Loans and advances to customers	64,519,998	64,519,998
Financial assets held for trading	526,401	494,370
Derivative financial instruments	239,247	239,247
Available-for-sale investments	45,462,697	45,370,130
Held-to-maturity investments	2,515,363	2,515,363
Properties for sale	358,788	358,788
Investments in joint ventures	303,571	116,000
Investments in and amounts due from subsidiaries	-	187,206
Properties and equipment	2,336,588	2,317,695
Investment properties	1,027,780	1,055,514
Deferred income tax assets	55,860	55,852
Other assets	839,515	788,860
Total assets	169,369,270	169,198,678
Liabilities		
Deposits and balances from banks	5,901,152	5,901,152
Deposits from customers	136,884,334	136,884,334
Derivatives financial instruments	221,120	221,120
Amounts due to subsidiaries	-	329,588
Other liabilities	1,372,306	1,229,813
Provisions	94,612	92,806
Current income tax liabilities	39,177	38,800
Deferred income tax liabilities	476,878	476,850
Total liabilities	144,989,579	145,174,463
Equity		
Share capital	2,000,000	2,000,000
Retained earnings	11,950,747	11,681,933
Reserves	10,357,664	10,342,282
Non-controlling interests	71,280	-
Total equity	24,379,691	24,024,215
Total equity and liabilities	169,369,270	169,198,678

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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 as at 31st December 2016.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks	24,620,495	24,616,688	
Placements with and loans and advances to banks	26,562,967	26,562,967	
Loans and advances to customers	64,519,998	64,519,998	
of which: collective impairment allowances reflected in regulatory capital		*257,747*	(1)
Financial assets held for trading	526,401	494,370	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		*5,411*	(2)
Derivative financial instruments	239,247	239,247	
Available-for-sale investments	45,462,697	45,370,130	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		*2,147,144*	(3)
Held-to-maturity investments	2,515,363	2,515,363	
Properties for sale	358,788	358,788	
Investments in joint ventures	303,571	116,000	
Investments in and amounts due from subsidiaries	-	187,206	
Properties and equipment	2,336,588	2,317,695	
Investment properties	1,027,780	1,055,514	
Deferred income tax assets	55,860	55,852	(4)
Other assets	839,515	788,860	
Total assets	169,369,270	169,198,678	
Liabilities			
Deposits and balances from banks	5,901,152	5,901,152	
Deposits from customers	136,884,334	136,884,334	
Derivatives financial instruments	221,120	221,120	
Amounts due to subsidiaries	-	329,588	
Other liabilities	1,372,306	1,229,813	
Provisions	94,612	92,806	
Current income tax liabilities	39,177	38,800	
Deferred income tax liabilities	476,878	476,850	
Total liabilities	144,989,579	145,174,463	
Equity			
Share capital	2,000,000	2,000,000	
of which: paid-in share capital		*2,000,000*	(5)
Retained earnings	11,950,747	11,681,933	
of which: retained earnings		*11,681,933*	(6)
Reserves	10,357,664	10,342,282	
of which: accumulated other comprehensive income/ (loss), other than regulatory reserve		*9,638,180*	(7)
regulatory reserve		*704,102*	(8)
Non-controlling interests	71,280	-	
Total equity	24,379,691	24,024,215	
Total equity and liabilities	169,369,270	169,198,678	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) Capital structure and adequacy (Continued)

The Group has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 31st December 2016 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		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	11,681,933	(6)
3	Disclosed reserves	10,342,282	(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**	**24,024,215**	
	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	55,852	(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 securitisation 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)	2,040,829	(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	704,102	
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	704,102	(8)
26c	Securitisation exposures specified in a notice given by the Monetary Authority	-	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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)			
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**	**2,800,783**	
29	**CET1 capital**	**21,223,432**	
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)**	**21,223,432**	
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	961,849	(1) + (8)
51	**Tier 2 capital before regulatory deductions**	**961,849**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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			
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)	111,726	(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**	**111,726**	
58	**Tier 2 capital**	**850,123**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**22,073,555**	
60	**Total risk weighted assets**	**118,217,415**	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	18.0%	
62	Tier 1 capital ratio	18.0%	
63	Total capital ratio	18.7%	
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)	5.5%	
65	of which: capital conservation buffer requirement	0.625%	
66	of which: bank specific countercyclical buffer requirement	0.4%	
67	of which: G-SIB and D-SIB buffer requirement	0.0%	
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	13.5%	
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	2,326,426	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	371,240	
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

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) 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			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardised (credit risk) approach (prior to application of cap)	961,849	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	1,357,461	
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
10	**Deferred tax assets net of deferred tax liabilities ('DTA')**	**55,852**	-
	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 amount 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

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(a) Capital structure and adequacy (Continued)

The Main Features Template as at 30th June 2017 and 31st December 2016 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	Laws of Hong Kong
	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	NA
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	Perpetual
13	Original maturity date	No maturity
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	No
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 temporary 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

Footnotes:
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
NA Not applicable

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(b) Overview of RWA

The table below shows the breakdowns of RWA for various risks as at 30th June 2017 and 31st March 2017 and the accordingly minimum capital requirments as at 30th June 2017 which are made by multiplying the Group's RWA by 8%.

		RWA		Minimum capital requirements
		30th June 2017	31st March 2017	**30th June 2017**
1	Credit risk for non-securitization exposures	**116,169,729**	111,790,257	**9,293,578**
2	Of which STC approach	**116,169,729**	111,790,257	**9,293,578**
2a	Of which BSC approach	**-**	-	**-**
3	Of which IRB approach	**-**	-	**-**
4	Counterparty credit risk	**279,160**	246,406	**22,333**
5	Of which SA-CCR	**-**	-	**-**
5a	Of which CEM	**205,235**	174,356	**16,419**
6	Of which IMM(CCR) approach	**-**	-	**-**
7	Equity positions in banking book under market-based approach	**-**	-	**-**
8	CIS exposures – LTA	**-**	-	**-**
9	CIS exposures – MBA	**-**	-	**-**
10	CIS exposures – FBA	**-**	-	**-**
11	Settlement risk	**-**	-	**-**
12	Securitization exposures in banking book	**-**	-	**-**
13	Of which IRB(S) approach – ratings-based method	**-**	-	**-**
14	Of which IRB(S) approach – supervisory formula method	**-**	-	**-**
15	Of which STC(S) approach	**-**	-	**-**
16	Market risk	**3,101,750**	3,322,438	**248,140**
17	Of which STM approach	**3,101,750**	3,322,438	**248,140**
18	Of which IMM approach	**-**	-	**-**
19	Operational risk	**7,053,850**	6,823,050	**564,308**
20	Of which BIA approach	**7,053,850**	6,823,050	**564,308**
21	Of which STO approach	**-**	-	**-**
21a	Of which ASA approach	**-**	-	**-**
22	Of which AMA approach	**N/A**	N/A	**N/A**
23	Amounts below the thresholds for deduction (subject to 250% RW)	**980,235**	980,945	**78,419**
24	Capital floor adjustment	**-**	-	**-**
24a	Deduction to RWA	**-**	-	**-**
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	**-**	-	**-**
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	**-**	-	**-**
25	**Total**	**127,584,724**	123,163,096	**10,206,778**

N/A: Not applicable in the case of Hong Kong

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(c) Countercyclical Capital Buffer ('CCyB') Ratio

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ('JCCyB') ratio effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB ratio is the ratio of the Bank's aggregate RWA for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction where the location of the exposures is determined as far as possible on an ultimate risk basis to the sum of the Bank's aggregate RWA across all jurisdictions in which the Bank has private sector credit exposures.

Key drivers for the changes in exposure amounts include asset quality, credit growth and credit portfolio. The applicable JCCyB ratio for Hong Kong is determined by the Hong Kong Monetary Authority ('HKMA') based on the Initial Reference Calculator that is transparently calculated and made public, while the applicable JCCyB ratio in respect of a given jurisdiction outside Hong Kong may differ from the JCCyB ratio as determined by the relevant authority in that jurisdiction if the HKMA has determined and announced the application of a higher or lower rate.

The following table shows the CCyB ratio, the geographical breakdown of the RWA in relation to private sector credit exposures that are relevant to the calculation of CCyB ratio and the applicable JCCyB ratio corresponding to each jurisdiction for calculating CCyB ratio as at 30th June 2017.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI	CCyB ratio of AI	CCyB amount of AI
		%	HK$'000	%	HK$'000
1	Hong Kong	1.250%	52,913,877		
2	Mainland China	0.000%	6,113,441		
3	Australia	0.000%	7,646		
4	Belgium	0.000%	557		
5	Bermuda	0.000%	863,633		
6	Brazil	0.000%	42		
7	Cambodia	0.000%	255		
8	Canada	0.000%	43,004		
9	Cayman Islands	0.000%	653,565		
10	Dominican Republic	0.000%	16		
11	Finland	0.000%	458		
12	France	0.000%	18,646		
13	Germany	0.000%	435		
14	India	0.000%	1,077		
15	Indonesia	0.000%	1,599		
16	Italy	0.000%	913		
17	Japan	0.000%	175,795		
18	Macao	0.000%	96,041		
19	Madagascar	0.000%	1,416		
20	Malaysia	0.000%	4		
21	Netherlands	0.000%	2		
22	New Zealand	0.000%	35,149		
23	Portugal	0.000%	122		
24	Singapore	0.000%	153,988		
25	South Africa	0.000%	2,783		
26	South Korea	0.000%	23		
27	Sweden	2.000%	16		
28	Switzerland	0.000%	806		
29	Chinese Taipei	0.000%	1,132,799		
30	Thailand	0.000%	9,551		
31	United Kingdom	0.000%	344,954		
32	United States	0.000%	20,366,577		
33	West Indies UK	0.000%	1,131,549		
	Total		84,070,739	0.79%	661,423

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(c) Countercyclical Capital Buffer ('CCyB') Ratio (Continued)

The following table shows the CCyB ratio, the geographical breakdown of the RWA in relation to private sector credit exposures that are relevant to the calculation of CCyB ratio and the applicable JCCyB ratio corresponding to each jurisdiction for calculating CCyB ratio as at 31st December 2016.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI	CCyB ratio of AI	CCyB amount of AI
		%	HK$'000	%	HK$'000
1	Hong Kong	0.625%	44,959,418		
2	Mainland China	0.000%	4,321,643		
3	Australia	0.000%	6,778		
4	Belgium	0.000%	436		
5	Bermuda	0.000%	576,497		
6	Brazil	0.000%	26		
7	Cambodia	0.000%	246		
8	Canada	0.000%	45,323		
9	Cayman Islands	0.000%	1,137,553		
10	Chile	0.000%	70		
11	Dominican Republic	0.000%	17		
12	Finland	0.000%	474		
13	France	0.000%	14,890		
14	Germany	0.000%	330		
15	India	0.000%	1,162		
16	Indonesia	0.000%	2,394		
17	Italy	0.000%	2,577		
18	Japan	0.000%	107,161		
19	Macao	0.000%	50,256		
20	Madagascar	0.000%	1,490		
21	Malaysia	0.000%	7		
22	New Zealand	0.000%	33,435		
23	Philippines	0.000%	2,208		
24	Portugal	0.000%	85		
25	Singapore	0.000%	17,022		
26	South Africa	0.000%	2,722		
27	South Korea	0.000%	3		
28	Sweden	1.500%	99		
29	Switzerland	0.000%	817		
30	Chinese Taipei	0.000%	1,141,279		
31	Thailand	0.000%	10,702		
32	United Kingdom	0.000%	427,172		
33	United States	0.000%	17,734,240		
34	West Indies UK	0.000%	2,676,320		
	Total		73,274,852	0.38%	280,997

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(d) Leverage ratio

The leverage ratios represent the consolidated ratios computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the Summary Comparison Table as at 30th June 2017 and 31st December 2016.

	Item	Leverage ratio framework	
		30th June 2017	31st December 2016
1	Total consolidated assets as per published financial statements	**179,667,894**	169,369,270
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(176,880)**	(170,592)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	-
4	Adjustments for derivative financial instruments	**425,743**	434,594
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**-**	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**10,221,771**	10,080,701
7	Other adjustments	**(3,400,006)**	(2,543,036)
8	Leverage ratio exposure	**186,738,522**	177,170,937

The Leverage Ratio Common Disclosure Template as at 30th June 2017 and 31st December 2016 is shown below:

	Item	Leverage ratio framework	
		30th June 2017	31st December 2016
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**179,654,167**	169,217,178
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	**(3,692,664)**	(2,800,783)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	**175,961,503**	166,416,395
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**129,505**	239,247
5	Add-on amounts for PFE associated with all derivatives transactions	**425,743**	434,594
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	**-**	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	**-**	-
9	Adjusted effective notional amount of written credit derivatives	**-**	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	**-**	-
11	Total derivative exposures (sum of lines 4 to 10)	**555,248**	673,841

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.1 Capital and risk weighted amounts ('RWA') (Continued)

(d) Leverage ratio (Continued)

	Item	Leverage ratio framework	
		30th June 2017	31st December 2016
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**-**	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	**-**	-
14	CCR exposure for SFT assets	**-**	-
15	Agent transaction exposures	**-**	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	**-**	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**45,614,523**	44,479,680
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	**(35,392,752)**	(34,398,979)
19	Off-balance sheet items (sum of lines 17 and 18)	**10,221,771**	10,080,701
	Capital and total exposures		
20	Tier 1 capital	**21,415,232**	21,223,432
21	Total exposures (sum of lines 3, 11, 16 and 19)	**186,738,522**	177,170,937
	Leverage ratio		
22	**Basel III leverage ratio**	**11.47%**	11.98%

Abbreviations:
CCP Central counterparty
CCR Counterparty credit risk
PFE Potential future exposure
SFT Securities financing transactions

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.2 Credit risk

(a) Credit quality of exposures as at 30th June 2017

		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	194,076	73,539,546	335,505	**73,398,117**
2	Debt securities	-	45,160,441	-	**45,160,441**
3	Off-balance sheet exposures	-	13,582,042	-	**13,582,042**
4	**Total**	**194,076**	**132,282,029**	**335,505**	**132,140,600**

(b) Changes in defaulted loans and debt securities

		Amount
1	Defaulted loans and debt securities as at end December 2016	193,616
2	Loans and debt securities that have defaulted since the last reporting period	6,161
3	Returned to non-defaulted status	-
4	Amounts written off	(89)
5	Other changes	(5,612)
6	**Defaulted loans and debt securities as at end June 2017**	**194,076**

(c) Overview of recognized credit risk mitigation as at 30th June 2017

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	65,500,721	7,897,396	6,614,177	1,283,219	-
2	Debt securities	45,160,441	-	-	-	-
3	**Total**	**110,661,162**	**7,897,396**	**6,614,177**	**1,283,219**	**-**
4	Of which defaulted	6,416	155,665	155,665	-	-

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.2 Credit risk (Continued)

(d) Credit risk exposures and effects of recognized credit risk mitigation – for STC approach as at 30th June 2017

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	19,568,630	-	19,568,630	-	428,270	2%
2	PSE exposures	-	-	-	-	-	0%
2a	Of which: domestic PSEs	-	-	-	-	-	0%
2b	Of which: foreign PSEs	-	-	-	-	-	0%
3	Multilateral development bank exposures	16,067	-	16,067	-	-	0%
4	Bank exposures	65,841,324	397,344	66,660,494	94,079	30,260,254	45%
5	Securities firm exposures	649,443	243,671	649,443	-	324,722	50%
6	Corporate exposures	59,915,931	34,359,569	58,051,067	6,350,793	61,825,009	96%
7	CIS exposures	-	-	-	-	-	0%
8	Cash items	345,858	-	1,408,252	-	118,752	8%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0%
10	Regulatory retail exposures	4,905,039	2,962,032	4,895,424	166,444	3,796,403	75%
11	Residential mortgage loans	10,515,903	715,627	10,515,903	354,408	5,823,497	54%
12	Other exposures which are not past due exposures	13,762,359	6,936,280	13,755,274	52,799	13,415,979	97%
13	Past due exposures	173,357	-	173,357	-	176,843	102%
14	Significant exposures to commercial entities	-	-	-	-	-	0%
15	**Total**	**175,693,911**	**45,614,523**	**175,693,911**	**7,018,523**	**116,169,729**	**64%**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.2 Credit risk (Continued)

(e) Credit risk exposures by asset classes and by risk weights – for STC approach as at 30th June 2017

	Risk Weight / Exposure class	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	17,427,278	-	2,141,352	-	-	-	-	-	-	-	**19,568,630**
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	**-**
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	**-**
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development bank exposures	16,067	-	-	-	-	-	-	-	-	-	**16,067**
4	Bank exposures	-	-	18,427,277	-	43,505,274	-	4,821,742	280	-	-	**66,754,573**
5	Securities firm exposures	-	-	-	-	649,443	-	-	-	-	-	**649,443**
6	Corporate exposures	-	-	-	-	5,153,699	-	59,248,161	-	-	-	**64,401,860**
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	**-**
8	Cash items	884,216	-	506,605	-	-	-	17,431	-	-	-	**1,408,252**
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-	-	**-**
10	Regulatory retail exposures	-	-	-	-	-	5,061,868	-	-	-	-	**5,061,868**
11	Residential mortgage loans	-	-	-	7,660,795	-	269,190	2,940,326	-	-	-	**10,870,311**
12	Other exposures which are not past due exposures	-	-	-	-	-	-	13,415,979	-	392,094	-	**13,808,073**
13	Past due exposures	-	-	-	-	-	-	166,385	6,972	-	-	**173,357**
14	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	**-**
15	**Total**	**18,327,561**	**-**	**21,075,234**	**7,660,795**	**49,308,416**	**5,331,058**	**80,610,024**	**7,252**	**392,094**	**-**	**182,712,434**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.3 Counterparty credit risk

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 30th June 2017

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	126,925	425,743		-	552,668	205,235
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**205,235**

(b) CVA capital charge as at 30th June 2017

		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method		
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	552,668	73,925
4	**Total**	**552,668**	**73,925**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.3 Counterparty credit risk (Continued)

(c) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach as at 30th June 2017

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-	-	**-**
2	PSE exposures	-	-	-	-	-	-	-	-	-	-	**-**
2a	Of which: domestic PSEs	-	-	-	-	-	-	-	-	-	-	**-**
2b	Of which: foreign PSEs	-	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-	**-**
4	Bank exposures	-	-	341,689	-	145,694	-	476	-	-	-	**487,859**
5	Securities firm exposures	-	-	-	-	-	-	-	-	-	-	**-**
6	Corporate exposures	-	-	-	-	2,470	-	61,797	-	-	-	**64,267**
7	CIS exposures	-	-	-	-	-	-	-	-	-	-	**-**
8	Regulatory retail exposures	-	-	-	-	-	-	-	-	-	-	**-**
9	Residential mortgage loans	-	-	-	-	-	-	-	-	-	-	**-**
10	Other exposures which are not past due exposures	-	-	-	-	-	-	542	-	-	-	**542**
11	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-	**-**
12	**Total**	**-**	**-**	**341,689**	**-**	**148,164**	**-**	**62,815**	**-**	**-**	**-**	**552,668**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.3 Counterparty credit risk (Continued)

(d) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

The Group does not have any collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 30th June 2017.

(e) Credit-related derivatives contracts

The Group does not have any credit-related derivatives contracts as at 30th June 2017.

(f) Exposures to CCPs

The Group does not have any exposures to CCPs as at 30th June 2017.

1.4 Market risk

Market risk under STM approach as at 30th June 2017

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	803,550
2	Equity exposures (general and specific risk)	143,200
3	Foreign exchange (including gold) exposures	2,155,000
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	**3,101,750**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Regulatory disclosures (Continued)

1.5 Liquidity maintenance ratio

	30th June 2017	30th June 2016
Liquidity maintenance ratio ('LMR')	**45.0%**	50.5%

The LMR is calculated as the simple average of each calendar month's average LMR for the six months of financial period of the Bank's Hong Kong offices, overseas branches, Shacom Investment Limited and Shacom Assets Investments Limited computed in accordance with the Banking (Liquidity) Rules.

The Group's liquidity is managed by the Treasury Division and monitored by the management and the Asset and Liability Committee in accordance with the guidelines and procedures laid down in the liquidity risk management policy approved by the Board of Directors, which have regard to a variety of factors, including liquidity maintenance ratio, loan to deposit ratio, liquidity cushion, maturity mismatch profile, diversity and stability of the deposit base and ability to borrow in the interbank market to ensure that both the funding liquidity and market liquidity are properly handled. An adequate stock of high quality liquid assets is being maintained at all times, in order to enable the Group to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner under both normal business conditions and emergency situations.

The Group's liquidity management process, as carried out within the Group and monitored by management, includes:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring liquidity maintenance ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The Group conducts stress testing regularly to analyse liquidity risk in accordance with the Supervisory Policy Manual ('SPM') LM-2 'Sound Systems and Controls for Liquidity Risk Management' of the HKMA. The Group's stress tests are conducted with hypothetical as well as historical assumptions. Both funding and market liquidity risks are addressed. The Group also performs reverse stress-testing in accordance with the HKMA's SPM IC-5 'Stress-testing'. It is a process of working backwards from the event causing business failures and involves a mix of qualitative and quantitative analyses.

The Group uses results of stress-testing and reverse stress-testing to strengthen resilience to liquidity stress and serve as early-warning triggers for the formulation of management actions and contingency funding plan to mitigate potential stress and vulnerability which the Group might face.

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

2 International claims

The following table shows the Group's international claims by major country or geographical segment, each representing not less than 10% of the Group's total international claims. International claims refer to exposures to counterparties on which the ultimate risk lies, and are derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

			Non-bank private sector		
As at 30th June 2017	**Banks**	**Official sector**	**Non-bank financial institutions**	**Non-financial private sector**	**Total**
Developed countries	**16,790,000**	**381,000**	**2,314,000**	**963,000**	**20,448,000**
Offshore centres	**3,408,000**	**-**	**1,429,000**	**13,236,000**	**18,073,000**
- of which Hong Kong	**2,776,000**	**-**	**1,007,000**	**10,681,000**	**14,464,000**
Developing Asia-Pacific	**48,189,000**	**1,895,000**	**193,000**	**4,517,000**	**54,794,000**
- of which China	**44,990,000**	**1,895,000**	**193,000**	**3,313,000**	**50,391,000**

			Non-bank private sector		
As at 31st December 2016	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	21,286,000	167,000	985,000	1,056,000	23,494,000
Offshore centres	4,745,000	-	1,394,000	12,889,000	19,028,000
- of which Hong Kong	4,272,000	-	1,034,000	10,637,000	15,943,000
Developing Asia-Pacific	51,327,000	37,000	73,000	3,250,000	54,687,000
- of which China	43,158,000	37,000	73,000	2,051,000	45,319,000

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

3 Loans and advances

(a) Loans and advances by industry sector

The following table shows the breakdown of the Group's loans and advances (excluding trade bills and other eligible bills) by industry sector according to the usage of loans based on the categories and definitions set by the HKMA.

	30th June 2017		31st December 2016	
	Gross loans and advances	**% covered by collateral**	Gross loans and advances	% covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	**5,914,057**	**62%**	3,936,278	50%
- Property investment	**7,463,665**	**98%**	7,922,262	98%
- Financial concerns	**1,047,897**	**92%**	746,663	91%
- Stockbrokers	**639,980**	**100%**	528,887	90%
- Wholesale and retail trade	**3,819,878**	**26%**	980,769	91%
- Manufacturing	**1,860,793**	**70%**	1,771,106	78%
- Transport and transport equipment	**514,498**	**94%**	507,175	91%
- Recreational activities	**158,211**	**95%**	181,661	92%
- Information technology - telecommunication	**4,899**	**99%**	4,045	90%
- Hotels, boarding houses and catering	**1,452,577**	**89%**	1,284,830	97%
- Others	**4,169,600**	**78%**	3,998,898	81%
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	**108,053**	**100%**	107,512	100%
- Loans for the purchase of other residential properties	**4,314,746**	**100%**	4,312,877	100%
- Credit card advances	**199,557**	**0%**	217,802	0%
- Others	**6,340,136**	**93%**	6,003,960	93%
Trade finance	**6,522,303**	**68%**	5,622,332	75%
Loans for use outside Hong Kong	**28,501,290**	**86%**	26,003,137	83%
	73,032,140	**81%**	64,130,194	85%

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

3 Loans and advances (Continued)

(a) Loans and advances by industry sector (Continued)

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

	30th June 2017			
	Impaired loans and advances	**Loans and advances overdue for over 3 months**	**Individual impairment allowances**	**Collective impairment allowances**
Industrial, commercial and financial				
- Property investment	**22,874**	**20,845**	**543**	**29,771**

	31st December 2016			
	Impaired loans and advances	Loans and advances overdue for over 3 months	Individual impairment allowances	Collective impairment allowances
Industrial, commercial and financial				
- Property investment	21,122	18,982	538	31,674

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

3 Loans and advances (Continued)

(b) Loans and advances by geographical area

The information concerning the breakdown of the gross amount of loans and advances to customers by country or geographical area is derived according to the location of the customers after taking into account any transfer of risk. In general, such transfer of risk takes place if the loans and advances are guaranteed by a party in a country which is different from that of the customers.

As at 30th June 2017	**Gross loans and advances to customers**	**Individually assessed impaired loans and advances**	**Loans and advances overdue for over 3 months**	**Total individual impairment allowances**	**Total collective impairment allowances**
Hong Kong	**47,957,617**	**637,931**	**132,648**	**31,065**	**191,761**
Mainland China	**5,321,391**	**27,816**	**27,816**	**11,600**	**19,623**
United States	**16,742,930**	**12,603**	**-**	**50**	**66,883**
Others	**3,711,684**	**34,431**	**33,612**	**132**	**14,391**
	73,733,622	**712,781**	**194,076**	**42,847**	**292,658**
% of total loans and advances to customers		**0.97**			
Fair value of collateral		**1,731,220**			

As at 31st December 2016	Gross loans and advances to customers	Individually assessed impaired loans and advances	Loans and advances overdue for over 3 months	Total individual impairment allowances	Total collective impairment allowances
Hong Kong	42,137,319	637,053	126,641	18,997	168,854
Mainland China	4,168,594	21,783	21,784	7,000	15,399
United States	15,219,994	7,994	7,994	32	60,870
Others	3,277,867	1,723	37,197	-	12,624
	64,803,774	668,553	193,616	26,029	257,747
% of total loans and advances to customers		1.03			
Fair value of collateral		1,552,500			

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

3 Loans and advances (Continued)

(c) Loans and advances overdue for more than 3 months

Gross loans and advances which have been overdue for:	**30th June 2017**	**% of gross loans and advances to customers**	31st December 2016	% of gross loans and advances to customers
- 6 months or less but over 3 months	**18,694**	**0.02**	63,264	0.10
- 1 year or less but over 6 months	**60,455**	**0.08**	10,885	0.02
- over 1 year	**114,927**	**0.16**	119,467	0.18
	194,076	**0.26**	193,616	0.30
Current market value of collateral	**349,047**		355,625	
Covered portion by collateral	**166,898**		174,311	
Uncovered portion by collateral	**27,178**		19,305	
Individually assessed impairment allowances	**34,725**		18,552	

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

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

	30th June 2017	**% of gross loans and advances to customers**	31st December 2016	% of gross loans and advances to customers
Rescheduled loans and advances	**14,280**	**0.02**	23,803	0.04

(e) Repossessed assets

During the period, the Group had obtained asset by taking possession of collateral held as security, as follows:

	Carrying amount	
	30th June 2017	31st December 2016
Nature of assets		
Industrial property	**-**	6,100
Residential properties	**3,200**	8,280
Commercial property	**-**	2,500
	3,200	16,880

As at 30th June 2017, the fair value of the repossessed assets amounted to HK$3,200,000 (31st December 2016: HK$16,880,000).

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

4 Non-bank mainland exposures

The Bank Types of counterparties	30th June 2017 On-balance sheet exposures	 Off-balance sheet exposures	 Total	31st December 2016 On-balance sheet exposures	 Off-balance sheet exposures	 Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures	**2,979,665**	**43,077**	**3,022,742**	2,198,317	69,333	2,267,650
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	**32,659**	**436,398**	**469,057**	24,877	420,916	445,793
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	**8,259,899**	**1,037,243**	**9,297,142**	3,216,168	868,132	4,084,300
4. Other entities of central government not reported in item 1 above	**592,735**	**-**	**592,735**	554,779	-	554,779
5. Other entities of local governments not reported in item 2 above	**67,503**	**-**	**67,503**	67,506	-	67,506
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**4,783,692**	**1,118,215**	**5,901,907**	5,127,081	1,213,967	6,341,048
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	**649,147**	**241**	**649,388**	635,540	5	635,545
Total	**17,365,300**	**2,635,174**	**20,000,474**	11,824,268	2,572,353	14,396,621
Total assets after provision	**166,366,122**			159,110,699		
On-balance sheet exposures as percentage of total assets	**10.44%**			7.43%		

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

5 Currency concentrations

As at 30th June 2017	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long position	Net structural position
Equivalent in Hong Kong dollars							
US Dollars	**59,637,000**	**(58,264,000)**	**31,367,000**	**(9,720,000)**	**-**	**23,020,000**	**7,735,000**
Pound Sterling	**3,035,000**	**(3,040,000)**	**260,000**	**(244,000)**	**-**	**11,000**	**16,000**
Renminbi	**16,228,000**	**(15,689,000)**	**3,973,000**	**(3,983,000)**	**-**	**529,000**	**2,178,000**
Canadian Dollars	**1,707,000**	**(1,717,000)**	**35,000**	**(24,000)**	**-**	**1,000**	**-**
Australian Dollars	**3,528,000**	**(3,493,000)**	**113,000**	**(137,000)**	**-**	**11,000**	**-**
Other currencies and gold	**2,420,000**	**(2,511,000)**	**1,661,000**	**(1,551,000)**	**-**	**19,000**	**-**
	86,555,000	**(84,714,000)**	**37,409,000**	**(15,659,000)**	**-**	**23,591,000**	**9,929,000**

As at 31st December 2016	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long / (short) position	Net structural position
Equivalent in Hong Kong dollars							
US Dollars	62,144,000	(58,355,000)	49,340,000	(25,307,000)	-	27,822,000	7,067,000
Pound Sterling	3,050,000	(2,953,000)	491,000	(594,000)	-	(6,000)	28,000
Renminbi	13,933,000	(13,014,000)	5,748,000	(5,861,000)	-	806,000	1,539,000
Canadian Dollars	1,729,000	(1,725,000)	20,000	(24,000)	-	-	-
Australian Dollars	3,847,000	(3,810,000)	703,000	(726,000)	-	14,000	-
Other currencies and gold	2,956,000	(2,856,000)	2,216,000	(2,286,000)	-	30,000	-
	87,659,000	(82,713,000)	58,518,000	(34,798,000)	-	28,666,000	8,634,000

Net structural positions include structural positions of the Bank's Hong Kong offices, 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 net options position is calculated based on the delta-weighted positions of all foreign exchange option contracts.

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

REVIEW OF OPERATIONS

In 2017, we embarked on our vision to shape Shanghai Commercial Bank Limited (the 'Bank') 'to become a trusted bank of choice of customers in Greater China, served by our staff capable of delivering comprehensive one-stop service, supported by distinctive commercial and international banking capabilities and an innovative digital platform'. The Bank began to implement its 5-year strategic plan for 2017-2021 and earned a record consolidated profit after tax of HK$1,269 million for the first six months of 2017, an increase of HK$389 million or 44.3% above that for the same period last year. Both net interest income and net fee and commission income achieved double-digit growths of 18.8% and 13.4% respectively, mainly attributable to increased contributions from our securities brokerage and wealth management businesses amid improved market momentum, despite life insurance commission was down by 40.1%. The overall loan-to-deposit ratio improved notably from 47.3% at the end of 2016 to 51.7% as loans and advances grew by 13.8% to HK$73 billion, while customer deposits also increased by 4.2% to HK$143 billion. Average net interest margin at 1.84% was 21 basis points higher than that of 1.63% for the same period last year and 15 basis points higher than the 2016 yearly average of 1.69%, largely due to the enhanced average yield from interbank placements. In light of the drivers mentioned above, coupled with the moderate increase in operating expenses, our cost-to-income ratio also improved significantly to 31.9% against the 2016 yearly average of 37%.

The total comprehensive income attributable to equity holders of HK$2,063 million for the first half of 2017 was HK$1,037 million or 101.1% higher than that of the same period last year, mainly due to the significant revaluation gain on Bank of Shanghai shares. Total assets at HK$180 billion and shareholders' funds at HK$26 billion were respectively 6.1% and 4.5% higher compared to the end of last year. The Bank continued to uphold sound capital and liquidity levels with the average liquidity maintenance ratio at 45% and capital adequacy ratio at 17.6% at the end of June 2017.

Firmly rooted in Hong Kong since 1950, the Bank has built a strong, long-standing reputation for our ability to provide personalized services. We affirm our commitment to continuously enhance our customers' experience and satisfaction. For corporate and trade finance, we aim at strengthening the relationship with the larger corporate clients while also providing SME customers with customized financing solutions. We also continue to enrich our range of products and services offerings which now include innovative banking solutions such as SMART Banking, My Smart Card, SCB JETCO Pay, Shanghai and Shenzhen-Hong Kong Connect A-shares trading services, Mobile Futures Trading, two-factor authentication token services, and for our general insurance and securities businesses, 'Straight-through Processing'. We also participate actively in the Reverse Mortgage Programme launched by The Hong Kong Mortgage Corporation Limited and offer our personalized services to the eligible customers at all our retail branches.

On 20th March 2017, the Bank along with other four shareholders of Hong Kong Life Insurance Limited ('Hong Kong Life') entered into an agreement with First Origin International Limited to sell their entire interest in Hong Kong Life at a consideration of HK$7.1 billion. The completion of the transaction is subject to approvals by the relevant regulators.

Leveraging on our tri-bank alliance with Bank of Shanghai in Mainland China and our parent bank, The Shanghai Commercial & Savings Bank, Ltd. in Taiwan, the Bank continues its efforts to expand market coverage in Mainland China while strengthening our controls and expertise in credit risk management for our Mainland Branches amid current economic deleveraging development. For overseas, our footprints in the United States where we have served major regional markets since 1970 and in the United Kingdom where we operated since 1980, continue to demonstrate considerable growth momentum. We will stay vigilant of evolving political and economic conditions in these areas, including changes in U.S. monetary policy and the Brexit progress.

As we strive to broaden our revenue stream, the Bank will continue to regularly evaluate latest market outlooks and review its business strategies. In addition, through optimal allocation of resources among various business units, we aim to expand our clientele while continuing to provide personalized services to our existing customer base. Though fully recognizing cautious cost control remains one of our core operating strategies, the Bank appreciates the need for due investment in risk management and compliance functions under a risk-based regulatory regime, and spares no effort in promulgating a sound risk management culture. To create value for the Bank's stakeholders, we remain acutely focused on pursuing momentum in the second half of 2017.

We also attach considerable importance on sustaining a culture of corporate social responsibility at all levels of the Bank through implementing different initiatives in the areas of environmental, social and governance. Over the years, we took part in various charity activities organized by The Community Chest of Hong Kong, Po Leung Kuk, Pok Oi Hospital and other non-profit organizations, and our staff are encouraged to dedicate time and passion to embrace the needs of the community beyond the provision of quality banking services.

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.

Stephen Ching Yen LEE
Chairman

David Sek-chi KWOK
Managing Director & Chief Executive

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGHAI COMMERCIAL BANK LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 35, which comprises the condensed consolidated statement of financial position of Shanghai Commercial Bank Limited (the 'Bank') and its subsidiaries (together, the 'Group') as at 30th June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th August 2017