上海商業銀行
SHANGHAI COMMERCIAL BANK

2024

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

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

GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30 June 2024 (unaudited)**	Six months ended 30 June 2023 (unaudited)
Interest income	6	**5,240,459**	4,514,779
Interest expense	6	**(3,151,892)**	(2,506,113)
Net interest income		**2,088,567**	2,008,666
Fee and commission income		**313,455**	351,594
Fee and commission expense		**(30,407)**	(28,645)
Net fee and commission income	7	**283,048**	322,949
Net trading income	8	**196,096**	210,644
Net gains from disposal of investment securities at fair value through other comprehensive income		**3,150**	1,925
Dividend income from investment securities at fair value through other comprehensive income		**210,370**	193,079
Other operating income	9	**61,201**	61,034
Net (loss)/income from insurance services	10	**(2,398)**	2,330
Operating expenses	11	**(1,017,790)**	(927,477)
Credit impairment losses	12	**(1,601,921)**	(113,618)
Operating profit		**220,323**	1,759,532
Share of net profits of associates and joint venture		**16,059**	33,823
Profit before income tax		**236,382**	1,793,355
Income tax expense	13	**(114,932)**	(374,997)
Profit for the period		**121,450**	1,418,358
Attributable to:			
Equity holders of the Bank		**119,515**	1,415,567
Non-controlling interests		**1,935**	2,791
		121,450	1,418,358

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Profit for the period	**121,450**	1,418,358
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation difference arising from overseas operations	**(55,222)**	(45,994)
Investment securities at fair value through other comprehensive income		
– Change in fair value	**353,673**	546,055
– Change in credit impairment losses recognised in profit or loss	**(2,061)**	(3,492)
– Fair value changes transferred to profit or loss on disposal	**(3,150)**	(1,925)
– Deferred income tax	**(57,836)**	(89,782)
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income		
– Change in fair value	**491,296**	(126,486)
– Deferred income tax	**2,911**	(7,641)
Share of reserves of associates and joint venture	**1,985**	134
Other comprehensive income for the period, net of tax	**731,596**	270,869
Net comprehensive income for the period	**853,046**	1,689,227
Attributable to:		
Equity holders of the Bank	**851,111**	1,686,436
Non-controlling interests	**1,935**	2,791
Net comprehensive income for the period	**853,046**	1,689,227

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2024 (unaudited)**	31 December 2023 (audited)
ASSETS			
Cash and balances with banks	14	**68,392,017**	60,451,371
Placements with banks	15	**16,867,484**	22,339,251
Loans and advances to customers	16	**83,338,338**	89,238,461
Financial assets at fair value through profit or loss	22(b)	**1,080,388**	1,054,988
Derivative financial instruments	17	**237,194**	726,213
Investment securities at fair value through other comprehensive income	22(b)	**38,756,426**	40,413,030
Investment securities at amortised cost		**10,808,618**	8,009,407
Properties for sale	18	**882,741**	863,718
Investments in associates and joint venture		**448,915**	431,020
Properties and equipment	19	**2,354,962**	2,384,013
Investment properties	20	**980,438**	984,884
Deferred income tax assets	24	**598,904**	432,899
Other assets		**2,391,618**	2,615,289
TOTAL ASSETS		**227,138,043**	229,944,544
LIABILITIES			
Deposits and balances from banks		**4,139,131**	5,066,976
Deposits from customers	21	**179,174,780**	179,008,632
Derivative financial instruments	17	**192,582**	749,830
Subordinated debts	23	**2,706,313**	5,041,686
Other liabilities		**3,705,597**	3,559,900
Current income tax liabilities		**246,604**	397,698
Deferred income tax liabilities	24	**9,649**	9,001
TOTAL LIABILITIES		**190,174,656**	193,833,723
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital		**2,000,000**	2,000,000
Retained earnings		**25,117,195**	25,024,409
Reserves	25	**9,734,798**	8,976,473
		36,851,993	36,000,882
Non-controlling interests in equity		**111,394**	109,939
TOTAL EQUITY		**36,963,387**	36,110,821
TOTAL EQUITY AND LIABILITIES		**227,138,043**	229,944,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders			Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings		
As at 1 January 2023		2,000,000	7,694,221	23,738,484	103,384	33,536,089
Profit for the period		–	–	1,415,567	2,791	1,418,358
Other comprehensive income net of tax		–	269,099	1,770	–	270,869
Net change in fair value of investment securities at fair value through other comprehensive income		–	316,729	–	–	316,729
Currency translation difference arising from overseas operations		–	(47,973)	1,979	–	(45,994)
Share of reserves of associates and joint venture		–	343	(209)	–	134
Net comprehensive income for the period		–	269,099	1,417,337	2,791	1,689,227
Payment of dividend relating to 2022		–	–	(275,000)	(360)	(275,360)
As at 30 June 2023 (unaudited)		2,000,000	7,963,320	24,880,821	105,815	34,949,956
As at 1 January 2024		**2,000,000**	**8,976,473**	**25,024,409**	**109,939**	**36,110,821**
Profit for the period		**–**	**–**	**119,515**	**1,935**	**121,450**
Other comprehensive income net of tax		**–**	**758,325**	**(26,729)**	**–**	**731,596**
Net change in fair value of investment securities at fair value through other comprehensive income	25	**–**	**784,833**	**–**	**–**	**784,833**
Currency translation difference arising from overseas operations	25	**–**	**(28,590)**	**(26,632)**	**–**	**(55,222)**
Share of reserves of associates and joint venture	25	**–**	**2,082**	**(97)**	**–**	**1,985**
Net comprehensive income for the period		**–**	**758,325**	**92,786**	**1,935**	**853,046**
Payment of dividend relating to 2023		**–**	**–**	**–**	**(480)**	**(480)**
As at 30 June 2024 (unaudited)		**2,000,000**	**9,734,798**	**25,117,195**	**111,394**	**36,963,387**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended 30 June 2024 (unaudited)**	Six months ended 30 June 2023 (unaudited)
Cash flows from operating activities			
Profit before income tax		**236,382**	1,793,355
Share of net profits of associates and joint venture		**(16,059)**	(33,823)
Credit impairment losses	12	**1,601,921**	113,618
Depreciation expenses		**105,290**	112,515
Amortisation of computer software		**7,203**	–
Net losses from disposal of equipment	9	**7**	6
Net gains from disposal of investment securities at fair value through other comprehensive income		**(3,150)**	(1,925)
Interest income on investment securities at amortised cost and at fair value through other comprehensive income	6	**(682,963)**	(515,024)
Interest expense on subordinated debts	6	**96,169**	122,586
Interest expense on lease liabilities	6	**5,468**	4,146
Dividend income on investment securities at fair value through other comprehensive income		**(210,370)**	(193,079)
Hong Kong profits tax paid		**(328,297)**	(85,372)
Overseas tax paid		**(170,397)**	(267,698)
Effect of exchange rate changes		**49,353**	(202,396)
Cash flows from operating activities before changes in operating assets and liabilities		**690,557**	846,909
Changes in operating assets and liabilities:			
– Net decrease in balances with banks with original maturity beyond 3 months		**3,997,447**	5,074,327
– Net decrease in placements with banks with original maturity beyond 3 months		**6,327,159**	3,743,425
– Net (increase)/decrease in financial assets at fair value through profit or loss		**(25,400)**	4,877
– Net increase in derivative financial instruments		**(68,229)**	(86,856)
– Net decrease in loans and advances to customers		**4,075,271**	1,845,187
– Net decrease in other assets		**359,640**	104,850
– Net (decrease)/increase in deposits and balances from banks		**(881,085)**	93,768
– Net increase in deposits from customers		**829,007**	1,031,356
– Net increase/(decrease) in other liabilities		**159,595**	(151,236)
Net cash generated from operating activities		**15,463,962**	12,506,607

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Six months ended 30 June 2024 (unaudited)**	Six months ended 30 June 2023 (unaudited)
Cash flows from investing activities			
Interest received on investment securities at amortised cost and at fair value through other comprehensive income		**567,918**	654,663
Dividends received on investment securities at fair value through other comprehensive income		**40,475**	44,043
Dividends received from associates and joint venture		**150**	1,714
Purchases of properties and equipment		**(7,994)**	(26,995)
Additions of properties for sale		**(19,023)**	(24,795)
Additions of computer software		**(24,335)**	–
Proceeds from sale of equipment		**9**	21
Purchases of investment securities at amortised cost and at fair value through other comprehensive income		**(23,682,521)**	(6,769,040)
Proceeds from sale and redemption of investment securities at amortised cost and at fair value through other comprehensive income		**22,632,991**	14,707,988
Deposits received on sale of properties for sale		**22,968**	–
Net cash (used in)/generated from investing activities		**(469,362)**	8,587,599
Cash flows from financing activities			
Redemption of subordinated debts	26	**(2,346,945)**	–
Issuance of subordinated debts	26	**–**	2,714,169
Interest paid on subordinated debts		**(145,992)**	(58,647)
Payment of lease liabilities	26	**(51,108)**	(53,862)
Dividend paid to equity holders		**–**	(275,000)
Dividend paid to non-controlling interests		**(480)**	(360)
Net cash (used in)/generated from financing activities		**(2,544,525)**	2,326,300
Net increase in cash and cash equivalents		**12,450,075**	23,420,506
Cash and cash equivalents as at 1 January		**69,703,686**	38,436,685
Effect of exchange rate changes on cash and cash equivalents		**(445,535)**	(322,607)
Cash and cash equivalents as at 30 June		**81,708,226**	61,534,584
Represented by:			
Cash and balances with banks with less than 3 months' original maturity	14	**67,468,904**	49,661,562
Placements with banks with less than 3 months' original maturity	15	**13,741,750**	11,873,022
Debt securities – Exchange Fund Bills with less than 3 months' original maturity		**497,572**	–
		81,708,226	61,534,584
Cash flows from operating and investing activities included:			
Interest received		**5,469,446**	4,571,411
Interest paid		**(3,042,672)**	(2,126,438)

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

1 General information

Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together, the "Group") are engaged in the provision of banking and related financial services in Hong Kong, United States, United Kingdom and the Mainland 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 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 21 August 2024.

2 Basis of preparation

This Group Interim Financial Disclosure Statement for the six months ended 30 June 2024 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 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 December 2023 that is included in the 2024 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.

The Group has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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 Material accounting policy information

The material accounting policies applied in the preparation of the 2024 Group Interim Financial Disclosure Statement are consistent with those used and described in the Group's audited annual financial statements for the year ended 31 December 2023.

(a) New and amended standards adopted by the Group for the period ended 30 June 2024

A number of new and amended standards become applicable for the current period. They do not have significant impact to the financial statements of the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024

(b) New and amended standards issued but not yet effective

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 on Lack of Exchangeability	1 January 2025

The Group has not early adopted standard, interpretation or amendment that has been issued but is not yet effective.

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 Group's audited annual financial statements for the year ended 31 December 2023.

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 30 June 2024:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	30 June 2024 Total assets	30 June 2024 Total equity	31 December 2023 Total assets	31 December 2023 Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares	100%[1]	**10**	**10**	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares	60%[2]	**15,822**	**15,529**	16,238	16,030
Shacom Futures Limited	Hong Kong	Advising and dealing in futures contracts Hong Kong	600,000 ordinary shares	100%[1]	**83,743**	**53,809**	80,731	54,269
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares	100%[1]	**3,804,382**	**13,104**	3,716,406	12,988
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding United Kingdom	2 ordinary shares of US$1 each	100%[1]	**26,294**	**3,639**	27,596	4,307
Shacom Property (NY), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	**5,476**	**5,476**	5,480	5,480
Shacom Property (CA), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	**2,766**	**2,766**	2,714	2,714
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares	100%[1]	**1,086,574**	**4,593**	1,085,691	3,734
Infinite Financial Solutions Limited	Hong Kong	Information technology services provider Hong Kong	500,000 ordinary shares	100%[1]	**36,885**	**25,024**	33,463	24,006
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares	100%[1]	**4,266**	**2,258**	4,004	2,028
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	2,000,000 ordinary shares	100%[1]	**500,424**	**269,936**	469,702	269,586
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares	100%[1]	**999**	**812**	917	778
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares	60%[2]	**366,322**	**262,957**	348,436	258,111
Right Honour Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%[1]	**3**	**(231)**	7	(221)
Glory Step Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**434,094**	**(42,846)**	424,432	(38,560)
Silver Wisdom Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	**1,345,576**	**(112,093)**	1,305,629	(94,555)
KCC 23F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**302,937**	**128,793**	288,475	104,449
KCC 25F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**304,648**	**130,416**	289,566	105,453
KCC 26F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	**305,934**	**131,830**	290,633	106,647

[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) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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.

Investments in associates and joint ventures are accounted for using the equity method, and are initially recognised in the consolidated statement of financial position 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 transacts with its associates or joint ventures, profits and losses resulting from such transactions are recognised in the Group's consolidated financial statements only to the extent of interests in the associates or joint ventures that are not related to the Group.

6 Net interest income

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Interest income		
Balances with banks and placements with banks	**1,789,007**	1,114,687
Investment securities at amortised cost	**185,299**	94,793
Investment securities at fair value through other comprehensive income	**497,664**	420,231
Loans and advances to customers	**2,759,685**	2,877,860
Others	**8,804**	7,208
Interest income on financial assets that are not measured at fair value through profit or loss	**5,240,459**	4,514,779
Interest expense		
Deposits and balances from banks	**91,881**	141,443
Deposits from customers	**2,953,969**	2,233,384
Subordinated debts	**96,169**	122,586
Lease liabilities	**5,468**	4,146
Others	**4,405**	4,554
Interest expense on financial liabilities that are not measured at fair value through profit or loss	**3,151,892**	2,506,113

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

7 Net fee and commission income

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Fee and commission income		
Bills	**25,276**	26,972
Nominees, custodian and securities brokerage	**66,254**	72,733
Investment products	**31,990**	55,214
Remittance	**26,584**	25,695
Credit cards	**26,282**	26,679
Retail banking	**22,839**	23,008
Insurance	**30,679**	16,224
Loans and advances and facility fees	**81,930**	103,511
Trust and other commissions	**1,621**	1,558
Total fee and commission income	**313,455**	351,594
Less: fee and commission expense	**(30,407)**	(28,645)
Net fee and commission income	**283,048**	322,949
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 measured at fair value through profit or loss		
– fee and commission income	**133,488**	157,162
– fee and commission expense	**3,625**	3,347
Net fee and commission income on trust and other fiduciary activities		
– fee and commission income	**10,550**	10,618

8 Net trading income

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Foreign exchange	**168,555**	189,697
Interest rate instruments	**21,314**	17,208
Equity instruments:		
– Trading losses	**(3,310)**	(1,074)
– Dividend income	**711**	679
Other trading income	**8,826**	4,134
	196,096	210,644

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

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

9 Other operating income

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Gross rental income from investment properties	**24,990**	25,993
Net losses from disposal of equipment	**(7)**	(6)
Others	**36,218**	35,047
	61,201	61,034

Direct operating expenses arising from investment properties of HK$34,000 (six months ended 30 June 2023: HK$2,000) are included in premises management expenses (Note 11).

10 Net (loss)/income from insurance services

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Insurance revenue	**25,431**	24,939
Insurance service expenses	**(20,379)**	(18,197)
Net expenses from reinsurance contracts held	**(5,772)**	(4,412)
Net insurance finance expenses	**(1,678)**	–
	(2,398)	2,330

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

11 Operating expenses

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Auditor's remuneration		
Audit services (Note a)	**6,021**	5,889
Non-audit-related services (Note b)	**4,370**	3,384
Premises management expenses	**22,297**	25,945
Depreciation expenses		
Properties and equipment	**50,893**	58,830
Right-of-use assets	**49,951**	49,238
Investment properties	**4,446**	4,447
Amortisation of computer software	**7,203**	–
Employee benefit expenses		
Wages and salaries and other costs (Note c)	**599,655**	554,309
Pension costs – defined contribution schemes	**48,599**	43,063
Expenses relating to short-term and low-value leases	**1,981**	860
Information technology and communications	**60,100**	54,828
Legal and consultancy	**42,614**	5,845
Printing, stationery and postage	**10,563**	10,941
Promotion and advertising	**15,254**	20,202
Others	**93,843**	89,696
	1,017,790	927,477

Note a: The above auditor's remuneration for audit services represents the fee for the audit of the Group's financial information for the interim and annual period to comply with the statutory and regulatory requirements in Hong Kong and Taiwan and is accrued on a pro-rata basis.

Note b: The above fee for non-audit-related services includes the fee for the review under Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" for the first quarter results of the Group in accordance with the regulatory requirements of the ultimate holding company in Taiwan and is accrued on a pro-rata basis.

Note c: Employee benefit expenses include directors' emoluments. The number of employees of the Group as at 30 June 2024 was 1,919 (30 June 2023: 1,854).

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

12 Credit impairment losses

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Loans and advances to customers	**1,588,657**	122,375
Balances with banks and placements with banks	**(646)**	400
Investment securities	**(2,050)**	(3,341)
Other assets	**8,244**	(553)
Loan commitments and financial guarantee contracts	**7,716**	(5,263)
	1,601,921	113,618

13 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits for the six months ended 30 June 2024. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 June 2024 at the rates of taxation prevailing in the countries in which the Group operates.

The Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which Shacom Property Holdings (BVI) Limited and London Branch operate, and came into effect on 1 January 2024.

Since the Pillar Two legislation in the United Kingdom was effective at the reporting date, the Group has assessed its exposure to the legislation. Under the legislation, the Group is liable to pay a top-up tax for the difference between the effective tax rate per jurisdiction under the GloBE rules and the 15% minimum rate. Since the United Kingdom has introduced the transitional safe harbour provisions, the Group has fulfilled certain safe harbour conditions and the top-up tax will be deemed to be zero. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 "Income Taxes".

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

	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Current income tax:		
– Hong Kong profits tax	**181,370**	168,243
– Overseas taxation	**154,177**	159,277
– Under provisions in respect of prior years	**251**	1,026
Total current income tax	**335,798**	328,546
Deferred income tax:		
– Hong Kong deferred tax	**(235,594)**	3,747
– Overseas deferred tax	**14,728**	42,704
Total deferred income tax	**(220,866)**	46,451
Income tax expense	**114,932**	374,997

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

14 Cash and balances with banks

	30 June 2024 (unaudited)	31 December 2023 (audited)
Cash in hand	**712,850**	740,597
Balances with central banks and Hong Kong Monetary Authority	**1,818,870**	2,602,125
Balances with banks	**65,861,097**	57,109,846
	68,392,817	60,452,568
Less: Stage 1 credit impairment allowances	**(800)**	(1,197)
	68,392,017	60,451,371
Gross amount of cash and balances with banks	**68,392,817**	60,452,568
Less: Amount with an original maturity beyond 3 months or deposits with designated banks subject to regulatory requirement	**(923,913)**	(4,921,360)
Amount included in cash and cash equivalents	**67,468,904**	55,531,208

Included in the above amounts, HK$280,534,000 (31 December 2023: HK$137,162,000) were deposited in central banks or designated banks as at 30 June 2024, to comply with the statutory requirements of respective jurisdiction in which the Group is operating the business. In addition, financial assets amounted to HK$1,035,655,000 as at 30 June 2024 (31 December 2023: HK$1,017,056,000) comprising balances with banks of HK$254,000 (31 December 2023: HK$10,921,000) and financial assets at fair value through profit or loss of HK$1,035,401,000 (31 December 2023: HK$1,006,135,000) were under a collateral arrangement with a shareholder of the Bank for its provision of the credit facilities to the Bank's branches in the United States.

15 Placements with banks

	30 June 2024 (unaudited)	31 December 2023 (audited)
Placements with banks maturing between 1 and 12 months	**16,867,683**	22,339,699
Less: Stage 1 credit impairment allowances	**(199)**	(448)
	16,867,484	22,339,251
Gross amount of placements with banks	**16,867,683**	22,339,699
Less: Amount with an original maturity beyond 3 months or deposits with designated banks subject to regulatory requirement	**(3,125,933)**	(9,459,089)
Amount included in cash and cash equivalents	**13,741,750**	12,880,610

Included in the above amounts, HK$201,842,000 (31 December 2023: HK$402,378,000) were deposited with designated banks in the Mainland China as at 30 June 2024, to comply with the local statutory requirements.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers

	30 June 2024 (unaudited)	31 December 2023 (audited)
Gross loans and advances to customers	**83,971,430**	89,625,281
Less: credit impairment allowances		
– Stage 1	**(127,898)**	(122,898)
– Stage 2	**(243,125)**	(144,968)
– Stage 3	**(262,069)**	(118,954)
	83,338,338	89,238,461
Gross trade bills and other eligible bills, included within gross loans and advances to customers	**248,548**	136,793
Less: credit impairment allowances on trade bills		
– Stage 1	**(192)**	(72)
– Stage 2	**(4)**	(28)
	248,352	136,693

The Group accepted listed securities at fair value of HK$2,366,421,000 as at 30 June 2024 (31 December 2023: HK$2,518,344,000) 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

16 Loans and advances to customers (Continued)

(a) Loans and advances (excluding trade bills and other eligible bills) 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 Hong Kong Monetary Authority.

	30 June 2024 (unaudited)		31 December 2023 (audited)	
	Balance	**% covered by collateral**	Balance	% covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	**4,272,588**	**29%**	4,014,280	27%
– Property investment	**4,042,650**	**91%**	4,271,793	91%
– Financial concerns	**922,822**	**62%**	1,910,007	38%
– Stockbrokers	**331,211**	**9%**	635,432	53%
– Wholesale and retail trade	**798,556**	**85%**	932,942	77%
– Manufacturing	**695,503**	**73%**	688,853	75%
– Transport and transport equipment	**372,671**	**32%**	396,279	35%
– Recreational activities	**1,982,397**	**19%**	2,019,426	20%
– Information technology – telecommunication	**4,995**	**100%**	4,992	100%
– Hotels, boarding houses and catering	**2,218,964**	**78%**	2,199,249	78%
– Others	**11,513,857**	**43%**	13,212,575	40%
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	**42,490**	**100%**	47,304	100%
– Loans for the purchase of other residential properties	**3,254,742**	**100%**	3,460,884	100%
– Credit card advances	**174,095**	**0%**	195,031	0%
– Others	**5,700,424**	**92%**	5,761,834	92%
Trade financing	**8,234,923**	**47%**	7,870,908	53%
Loans for use outside Hong Kong	**39,159,994**	**88%**	41,866,699	88%
	83,722,882	**73%**	89,488,488	72%

As at 30 June 2024 and 31 December 2023, the Bank did not have exposures to individual industry sector constituting 10% or more of the Group's total amount of loans and advances.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers (Continued)

(b) Loans and advances (excluding trade bills and other eligible bills) by geographical area

The information concerning the breakdown of the gross amount of loans and advances to customers (excluding trade bills and other eligible bills) 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 30 June 2024 (unaudited)	**Balance**	**Stage 3 balance**	**Balance overdue for over 3 months**	**Total Stage 3 credit impairment allowances**	**Total Stage 1 and Stage 2 credit impairment allowances**
Hong Kong	**52,488,748**	**1,295,389**	**954,509**	**182,252**	**306,498**
Mainland China	**3,875,585**	**295,586**	**292,768**	**62,973**	**8,168**
United States	**24,175,182**	**1,155,593**	**849,442**	**–**	**48,112**
Others	**3,183,367**	**80,050**	**49,980**	**16,844**	**8,049**
	83,722,882	**2,826,618**	**2,146,699**	**262,069**	**370,827**
% of total loans and advances to customers		**3.38**			
Fair value of collateral		**3,922,454**			

As at 31 December 2023 (audited)	Balance	Stage 3 balance	Balance overdue for over 3 months	Total Stage 3 credit impairment allowances	Total Stage 1 and Stage 2 credit impairment allowances
Hong Kong	55,599,793	2,078,189	93,720	118,952	199,090
Mainland China	3,956,055	65,697	62,116	–	6,550
United States	25,627,268	402,423	355,646	–	51,492
Others	4,305,372	3	3	2	10,634
	89,488,488	2,546,312	511,485	118,954	267,766
% of total loans and advances to customers		2.85			
Fair value of collateral		1,194,734			

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

16 Loans and advances to customers (Continued)

(c) Loans and advances (excluding trade bills and other eligible bills) overdue for more than 3 months

	30 June 2024 (unaudited)		31 December 2023 (audited)	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Balances which have been overdue for:				
– 6 months or less but over 3 months	**1,175,330**	**1.40**	44,019	0.05
– 1 year or less but over 6 months	**626,017**	**0.75**	84,830	0.09
– over 1 year	**345,352**	**0.41**	382,636	0.43
	2,146,699	**2.56**	511,485	0.57
Current market value of collateral	**2,865,044**		696,355	
Covered portion by collateral	**1,664,279**		505,931	
Uncovered portion by collateral	**482,420**		5,554	
Credit impairment allowances	**173,445**		8,016	

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)

	30 June 2024 (unaudited)		31 December 2023 (audited)	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	**13,553**	**0.02**	12,697	0.01

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

17 Derivative financial instruments

		Fair values	
As at 30 June 2024 (unaudited)	**Contract amount**	**Assets**	**Liabilities**
Derivatives held for trading			
Exchange rate contracts	**117,542,693**	**237,179**	**(192,567)**
Interest rate contracts	**250,000**	**15**	**(15)**
Total recognised derivative assets/(liabilities)		**237,194**	**(192,582)**

		Fair values	
As at 31 December 2023 (audited)	Contract amount	Assets	Liabilities
Derivatives held for trading			
Exchange rate contracts	123,595,757	726,213	(749,830)
Interest rate contracts	–	–	–
Total recognised derivative assets/(liabilities)		726,213	(749,830)

	Credit risk weighted amount	
	30 June 2024 (unaudited)	31 December 2023 (audited)
Derivatives held for trading	**620,541**	404,316

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

The credit risk weighted amounts are calculated in accordance with the standardised (counterparty credit risk) approach as stipulated in the Banking (Capital) Rules.

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

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

17 Derivative financial instruments (Continued)

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 are entered into in order to take proprietary positions. Trading limits and price verification controls are key aspects of this activity.

18 Properties for sale

	30 June 2024 (unaudited)	31 December 2023 (audited)
Property development		
Leasehold land held for development for sale	**381,188**	381,188
Building development cost	**501,553**	482,530
	882,741	863,718

The Group has undertaken a project to redevelop the properties located in West Point. As at 30 June 2024, the net book amount of land and building incurred for this project were HK$1,096,074,000 (31 December 2023: HK$1,073,017,000), of which HK$882,741,000 (31 December 2023: HK$863,718,000) were classified as properties for sale while the remaining HK$213,333,000 (31 December 2023: HK$209,299,000) as bank premises under development (Note 19) in accordance with the redevelopment plan.

The pre-sale of the residential units of the project commenced on 12 June 2024 with deposits of HK$22,968,000 received from the buyers as at 30 June 2024 based on payment schedules established in contracts. Such deposits received are recognised as contract liabilities until the Group satisfies its performance obligations by transferring the control of the residential units to the buyers, at which time the contract liabilities are recognised as income.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

19 Properties and equipment

				Property under development			
	Leasehold land	Bank premises	Furniture, fittings and equipment	Leasehold land	Development cost	Right-of-use assets	Total
As at 1 January 2023							
Cost	1,391,522	1,078,846	1,019,861	97,823	90,238	603,223	4,281,513
Accumulated depreciation	(230,497)	(383,041)	(831,448)	(1,189)	–	(378,962)	(1,825,137)
Net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
Year ended 31 December 2023							
Opening net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
Additions	–	–	20,184	–	22,532	98,064	140,780
Adjustments	–	–	–	–	–	(277)	(277)
Disposals/write-off/expiry							
Cost	–	–	(24,512)	–	–	(109,190)	(133,702)
Accumulated depreciation	–	–	24,456	–	–	109,190	133,646
Depreciation charge	(17,432)	(25,806)	(71,064)	(105)	–	(100,006)	(214,413)
Exchange adjustments	–	1,176	431	–	–	(4)	1,603
Closing net book amount	1,143,593	671,175	137,908	96,529	112,770	222,038	2,384,013
As at 31 December 2023 (audited)							
Cost	1,391,522	1,080,719	1,016,690	97,823	112,770	590,838	4,290,362
Accumulated depreciation	(247,929)	(409,544)	(878,782)	(1,294)	–	(368,800)	(1,906,349)
Net book amount	1,143,593	671,175	137,908	96,529	112,770	222,038	2,384,013
Six months ended 30 June 2024							
Opening net book amount	**1,143,593**	**671,175**	**137,908**	**96,529**	**112,770**	**222,038**	**2,384,013**
Additions	**–**	**–**	**3,905**	**–**	**4,089**	**64,423**	**72,417**
Disposals/write-off/expiry							
Cost	**–**	**–**	**(14,948)**	**–**	**–**	**(222,927)**	**(237,875)**
Accumulated depreciation	**–**	**–**	**14,932**	**–**	**–**	**222,927**	**237,859**
Depreciation charge	**(8,716)**	**(12,900)**	**(29,222)**	**(55)**	**–**	**(49,951)**	**(100,844)**
Exchange adjustments	**–**	**(204)**	**(128)**	**–**	**–**	**(276)**	**(608)**
Closing net book amount	**1,134,877**	**658,071**	**112,447**	**96,474**	**116,859**	**236,234**	**2,354,962**
As at 30 June 2024 (unaudited)							
Cost	**1,391,522**	**1,080,383**	**1,004,890**	**97,823**	**116,859**	**428,190**	**4,119,667**
Accumulated depreciation	**(256,645)**	**(422,312)**	**(892,443)**	**(1,349)**	**–**	**(191,956)**	**(1,764,705)**
Net book amount	**1,134,877**	**658,071**	**112,447**	**96,474**	**116,859**	**236,234**	**2,354,962**

The Group has undertaken a project to redevelop the properties located in West Point where the pre-sale of the residential units of the project commenced on 12 June 2024 (Note 18). As at 30 June 2024, the net book amount of land and building incurred for this project were HK$1,096,074,000 (31 December 2023: HK$1,073,017,000), of which HK$882,741,000 (31 December 2023: HK$863,718,000) were classified as properties for sale (Note 18) while the remaining HK$213,333,000 (31 December 2023: HK$209,299,000) as bank premises under development in accordance with the redevelopment plan.

As at 30 June 2024, interests in freehold land outside Hong Kong amounted to HK$33,665,000 (31 December 2023: HK$33,804,000) were included as bank premises above.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

20 Investment properties

	Leasehold land	Buildings	Total
As at 1 January 2023			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(13,001)	(54,192)	(67,193)
Net book amount	712,304	281,474	993,778
Year ended 31 December 2023			
Opening net book amount	712,304	281,474	993,778
Depreciation charge	(866)	(8,028)	(8,894)
Closing net book amount	711,438	273,446	984,884
As at 31 December 2023 (audited)			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(13,867)	(62,220)	(76,087)
Net book amount	711,438	273,446	984,884
Six months ended 30 June 2024			
Opening net book amount	**711,438**	**273,446**	**984,884**
Depreciation charge	**(432)**	**(4,014)**	**(4,446)**
Closing net book amount	**711,006**	**269,432**	**980,438**
As at 30 June 2024 (unaudited)			
Cost	**725,305**	**335,666**	**1,060,971**
Accumulated depreciation	**(14,299)**	**(66,234)**	**(80,533)**
Net book amount	**711,006**	**269,432**	**980,438**

As at 30 June 2024, the Group's investment properties were valued at HK$2,386,200,000 (31 December 2023: HK$2,413,000,000) by an independent firm of Colliers International (Hong Kong) Limited (31 December 2023: Cushman & Wakefield 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

20 Investment properties (Continued)

Operating lease commitments as a lessor

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

	30 June 2024 (unaudited)	31 December 2023 (audited)
Not later than 1 year	**48,637**	49,564
1 to 2 years	**26,412**	37,809
2 to 5 years	**7,575**	17,743
	82,624	105,116

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from 2 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.

21 Deposits from customers

	30 June 2024 (unaudited)	31 December 2023 (audited)
Demand deposits and current accounts	**12,925,781**	12,721,104
Savings deposits	**34,788,231**	36,115,883
Time, call and notice deposits	**131,070,378**	129,780,997
Deposits from Hong Kong Government Exchange Fund	**390,390**	390,648
	179,174,780	179,008,632

22 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

(i) Balances with banks and placements with banks

Balances with banks and placements with banks include inter-bank placements and are stated net of impairment allowances. 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) Investment securities at amortised cost

The fair value of investment securities at amortised cost 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 investment securities at amortised cost is classified under Level 1 (30 June 2024: HK$8,582,712,000; 31 December 2023: HK$4,828,277,000) and Level 2 (30 June 2024: HK$2,222,228,000; 31 December 2023: HK$3,175,948,000) in the fair value hierarchy. Please refer to Note 22(b) for the definition of fair value hierarchy.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Fair value of financial assets and liabilities (Continued)

(a) Financial instruments not measured at fair value (Continued)

(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.

(v) Subordinated debts

The fair value of subordinated debts of HK$2,784,187,000 (31 December 2023: HK$5,101,813,000) is classified under Level 2 in the fair value hierarchy.

(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 and debt securities on exchanges.

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 and unlisted debt securities. Observable parameters that are used as input include market data such as interest rate 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 unlisted equity securities and unlisted 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

22 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Recurring fair value measurement

As at 30 June 2024 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Debt securities (Note a)	**1,035,401**	**–**	**–**	**1,035,401**
Equity securities	**31,202**	**–**	**13,785**	**44,987**
Derivative financial instruments				
Exchange rate contracts	**–**	**237,179**	**–**	**237,179**
Interest rate contracts	**–**	**15**	**–**	**15**
Investment securities at fair value through other comprehensive income				
Debt securities	**20,815,609**	**13,821,127**	**2,874**	**34,639,610**
Equity securities (Note b)	**3,436,295**	**–**	**680,521**	**4,116,816**
Total Assets	**25,318,507**	**14,058,321**	**697,180**	**40,074,008**
Derivative financial instruments				
Exchange rate contracts	**–**	**192,567**	**–**	**192,567**
Interest rate contracts	**–**	**15**	**–**	**15**
Total Liabilities	**–**	**192,582**	**–**	**192,582**

As at 31 December 2023 (audited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Debt securities (Note a)	1,006,135	–	–	1,006,135
Equity securities	35,068	–	13,785	48,853
Derivative financial instruments				
Exchange rate contracts	–	726,213	–	726,213
Interest rate contracts	–	–	–	–
Investment securities at fair value through other comprehensive income				
Debt securities	22,614,357	14,170,154	2,874	36,787,385
Equity securities (Note b)	2,936,964	–	688,681	3,625,645
Total Assets	26,592,524	14,896,367	705,340	42,194,231
Derivative financial instruments				
Exchange rate contracts	–	749,830	–	749,830
Interest rate contracts	–	–	–	–
Total Liabilities	–	749,830	–	749,830

Note a: Financial assets amounted to HK$1,035,655,000 as at 30 June 2024 (31 December 2023: HK$1,017,056,000) comprising balances with banks of HK$254,000 (31 December 2023: HK$10,921,000) and financial assets at fair value through profit or loss of HK$1,035,401,000 (31 December 2023: HK$1,006,135,000) were under a collateral arrangement with a shareholder of the Bank for its provision of the credit facilities to the Bank's branches in the United States.

Note b: As at 30 June 2024, equity securities designated at fair value through other comprehensive income amounting to HK$4,116,816,000 (31 December 2023: HK$3,625,645,000) were for long term investment purpose, of which HK$3,310,489,000 (31 December 2023: HK$2,801,525,000) were the fair value of the Bank's investment in Bank of Shanghai, China.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

22 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

There were no significant transfers of financial assets or liabilities between level 1 and level 2 fair value hierarchy classifications.

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 foreign exchange rate contracts and interest rate contracts are determined using the appropriate foreign exchange rates, interest rate yield curves and where applicable, the implied option volatility at the reporting date, with the expected cash-flow discounted back to present value.

Level 3 fair values of unlisted equity securities and debentures are determined based on valuation techniques using significant unobservable inputs, which includes the market comparison approach and the dividend discount approach. The fair value is affected by the price to book ratio of appropriate comparables, dividend growth rate or discount rate.

If the significant unobservable inputs would be shifted by +/– 5%, the impact on other comprehensive income would be increased by HK$3,133,000 (31 December 2023: HK$3,669,000) or decreased by HK$1,885,000 (31 December 2023: HK$2,509,000) and profit or loss would be increased/decreased by HK$687,000 (31 December 2023: HK$687,000) respectively.

The following table presents the changes in level 3 instruments for the period ended 30 June 2024 and year ended 31 December 2023 respectively.

	Financial assets at fair value through profit or loss		Investment securities at fair value through other comprehensive income		
	Equity securities	Total	Equity securities	Debt securities	Total
As at 1 January 2023	12,242	12,242	296,463	2,874	299,337
Total gains					
– Profit	1,543	1,543	–	–	–
– Other comprehensive income	–	–	402,779	–	402,779
Exchange adjustments	–	–	(10,561)	–	(10,561)
As at 31 December 2023 (audited) and 1 January 2024	**13,785**	**13,785**	**688,681**	**2,874**	**691,555**
Total gains					
– Other comprehensive income	**–**	**–**	**11,258**	**–**	**11,258**
Exchange adjustments	**–**	**–**	**(19,418)**	**–**	**(19,418)**
As at 30 June 2024 (unaudited)	**13,785**	**13,785**	**680,521**	**2,874**	**683,395**

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

23 Subordinated debts

	30 June 2024 (unaudited)	31 December 2023 (audited)
US$300 million fixed rate subordinated notes issued due 2029 at amortised cost (Note a)	**–**	2,335,113
US$350 million fixed rate subordinated notes issued due 2033 at amortised cost (Note b)	**2,706,313**	2,706,573
	2,706,313	5,041,686

Note a: This represents US$300,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the Banking (Capital) Rules ("BCR"), which are listed on the Hong Kong Stock Exchange. The notes will mature on 17 January 2029 with an optional redemption date falling on 17 January 2024. Interest at 5.00% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 250 basis points. The Bank may, subject to receiving the prior approval of the Hong Kong Monetary Authority ("HKMA"), redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes. The Bank fully redeemed the notes on 17 January 2024.

Note b: This represents US$350,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the BCR, which are listed on the Hong Kong Stock Exchange. The notes will mature on 28 February 2033 with an optional redemption date falling on 28 February 2028. Interest at 6.375% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 240 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes.

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 as follows:

Deferred income tax assets	Credit impairment allowances	Accelerated tax depreciation	Fair value (gains)/losses on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2023	161,873	(49,144)	350,174	23,126	486,029
Credited/(charged) to the statement of profit or loss	195,817	(911)	–	13,519	208,425
Exchange adjustments	(235)	(284)	–	16	(503)
Charged to other comprehensive income	–	–	(261,310)	–	(261,310)
Reclassified (to)/from deferred income tax liabilities	(364)	622	–	–	258
As at 31 December 2023 (audited) and 1 January 2024	**357,091**	**(49,717)**	**88,864**	**36,661**	**432,899**
Credited/(charged) to the statement of profit or loss	**224,156**	**9,721**	**–**	**(13,067)**	**220,810**
Exchange adjustments	**(726)**	**149**	**–**	**(9)**	**(586)**
Charged to other comprehensive income	**–**	**–**	**(54,925)**	**–**	**(54,925)**
Reclassified (to)/from deferred income tax liabilities	**(1)**	**–**	**–**	**707**	**706**
As at 30 June 2024 (unaudited)	**580,520**	**(39,847)**	**33,939**	**24,292**	**598,904**

Deferred income tax liabilities	Credit impairment allowances	Accelerated tax depreciation	Fair value (gains)/losses on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2023	1	(17,281)	–	9,965	(7,315)
(Charged)/credited to the statement of profit or loss	–	(1,714)	–	286	(1,428)
Reclassified from/(to) deferred income tax assets	364	(622)	–	–	(258)
As at 31 December 2023 (audited) and 1 January 2024	**365**	**(19,617)**	**–**	**10,251**	**(9,001)**
Credited/(charged) to the statement of profit or loss	**72**	**(16)**	**–**	**–**	**56**
Exchange adjustments	**(3)**	**5**	**–**	**–**	**2**
Reclassified from/(to) deferred income tax assets	**1**	**–**	**–**	**(707)**	**(706)**
As at 30 June 2024 (unaudited)	**435**	**(19,628)**	**–**	**9,544**	**(9,649)**

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

25 Reserves attributable to equity holders

	Regulatory reserve (Note a)	Investment revaluation reserve	General and other reserves	Total
As at 1 January 2023	935,463	(422,876)	7,181,634	7,694,221
Net change in fair value of investment securities at fair value through other comprehensive income (Note b)	–	1,301,248	–	1,301,248
Currency translation difference arising from overseas operations	(1,147)	–	(18,466)	(19,613)
Share of reserves of associates and joint venture	–	66	551	617
As at 31 December 2023 (audited) and 1 January 2024	**934,316**	**878,438**	**7,163,719**	**8,976,473**
Net change in fair value of investment securities at fair value through other comprehensive income (Note b)	**–**	**784,833**	**–**	**784,833**
Currency translation difference arising from overseas operations	**(2,036)**	**–**	**(26,554)**	**(28,590)**
Share of reserves of associates and joint venture	**–**	**2,106**	**(24)**	**2,082**
As at 30 June 2024 (unaudited)	**932,280**	**1,665,377**	**7,137,141**	**9,734,798**

Note a: 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 operations are made in consultation with the Hong Kong Monetary Authority.

Note b: For the six months ended 30 June 2024, net change in fair value of investment securities at fair value through other comprehensive income was a gain of HK$784,833,000 (for the year ended 31 December 2023: gain of HK$1,301,248,000) due to the net increase in fair value of HK$494,207,000 (for the year ended 31 December 2023: net increase of HK$318,070,000) on equities holdings and HK$290,626,000 (for the year ended 31 December 2023: net increase of HK$983,178,000) from debt securities portfolio. As at 30 June 2024, the debt securities at fair value through other comprehensive income had 96% (31 December 2023: 96%) in investment grade based on Standard & Poor's ratings or their equivalents while 93% (31 December 2023: 92%) of the portfolio maturing within 3 years.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

26 Other cash flow information

Reconciliation of liabilities arising from financing activities

	Subordinated debts	
	2024	2023
As at 1 January	**5,041,686**	2,328,890
Cash outflow for redemption of subordinated debts	**(2,346,945)**	–
Cash inflow from issuance of subordinated debts	**–**	2,714,169
Non-cash changes:		
– Foreign exchange movement	**1,264**	7,680
– Amortisation of discount and issuance cost	**10,308**	2,395
As at 30 June (unaudited)	**2,706,313**	5,053,134

	Lease liabilities	
	2024	2023
As at 1 January	**224,732**	236,557
Payment of lease liabilities	**(51,108)**	(53,862)
Non-cash changes:		
– Additions	**60,084**	28,776
– Adjustments	**–**	(231)
– Other changes	**5,096**	3,497
As at 30 June (unaudited)	**238,804**	214,737

Note: Lease liabilities are included in "other liabilities" in statement of financial position.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

27 Contingent liabilities and commitments

(a) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

Contract amounts	**30 June 2024 (unaudited)**	31 December 2023 (audited)
Direct credit substitutes	**1,550,716**	1,904,173
Trade-related contingencies	**1,670,807**	2,151,488
Other commitments with an original maturity of:		
– under 1 year	**6,087,459**	455,986
– 1 year and over	**4,315,326**	4,609,125
– unconditionally cancellable	**29,333,996**	30,683,361
	42,958,304	39,804,133
Credit risk weighted amounts	**3,524,822**	3,902,249

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.

(b) Capital commitments

Capital expenditure for the acquisition of properties and equipment outstanding as at the reporting date but not yet incurred is as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Contracted but not provided for	**114,755**	195,688

(c) 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 30 June 2024 (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	5,663,945	62,728,072	–	–	–	–	–	68,392,017
Placements with banks	–	–	16,579,760	287,724	–	–	–	16,867,484
Loans and advances to customers	7,371,958	5,701,893	6,800,524	20,671,540	23,651,152	16,491,028	2,650,243	83,338,338
Financial assets at fair value through profit or loss	–	388,041	116,670	386,189	116,696	27,805	44,987	1,080,388
Derivative financial instruments	–	90,213	54,338	71,647	20,996	–	–	237,194
Investment securities at fair value through other comprehensive income	455,992	676,360	3,873,505	16,317,721	12,317,211	995,948	4,119,689	38,756,426
Investment securities at amortised cost	234,228	793,941	4,368,012	4,278,141	1,134,296	–	–	10,808,618
Properties for sale	–	58,849	117,699	308,959	397,234	–	–	882,741
Investments in associates and joint venture	–	–	–	–	–	–	448,915	448,915
Properties and equipment	–	8,086	16,174	63,278	94,764	53,932	2,118,728	2,354,962
Investment properties	–	–	–	–	–	–	980,438	980,438
Deferred income tax assets	–	–	–	–	–	–	598,904	598,904
Other assets	194,445	1,120,625	171,381	403,993	342,764	84,075	74,335	2,391,618
Total assets	13,920,568	71,566,080	32,098,063	42,789,192	38,075,113	17,652,788	11,036,239	227,138,043
Liabilities								
Deposits and balances from banks	786,396	2,477,605	511,375	363,755	–	–	–	4,139,131
Deposits from customers	48,653,529	42,829,864	60,225,417	27,293,115	172,855	–	–	179,174,780
Derivative financial instruments	–	66,562	42,245	62,799	20,976	–	–	192,582
Subordinated debts	–	–	–	–	–	2,706,313	–	2,706,313
Other liabilities	638,750	1,599,259	640,467	652,578	100,775	73,768	–	3,705,597
Current income tax liabilities	–	–	4,427	242,177	–	–	–	246,604
Deferred income tax liabilities	–	–	–	–	–	–	9,649	9,649
Total liabilities	50,078,675	46,973,290	61,423,931	28,614,424	294,606	2,780,081	9,649	190,174,656
Net liquidity gap	(36,158,107)	24,592,790	(29,325,868)	14,174,768	37,780,507	14,872,707	11,026,590	36,963,387
Of which lease liabilities included in: Other liabilities	–	7,343	14,718	58,018	84,957	73,768	–	238,804

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

28 Maturity analysis (Continued)

As at 31 December 2023 (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	7,003,759	53,447,612	–	–	–	–	–	60,451,371
Placements with banks	–	–	21,460,910	878,341	–	–	–	22,339,251
Loans and advances to customers	5,104,575	11,495,505	6,218,582	20,491,322	29,921,168	12,794,569	3,212,740	89,238,461
Financial assets at fair value through profit or loss	–	241,547	233,153	115,807	387,137	28,490	48,854	1,054,988
Derivative financial instruments	–	273,158	300,740	145,675	6,640	–	–	726,213
Investment securities at fair value through other comprehensive income	–	1,601,521	5,040,795	17,347,869	11,131,830	1,662,496	3,628,519	40,413,030
Investment securities at amortised cost	–	705,187	2,642,457	3,895,597	766,166	–	–	8,009,407
Properties for sale	–	21,593	43,186	194,336	604,603	–	–	863,718
Investments in associates and joint venture	–	–	–	–	–	–	431,020	431,020
Properties and equipment	–	8,797	15,027	53,900	87,113	57,201	2,161,975	2,384,013
Investment properties	–	–	–	–	–	–	984,884	984,884
Deferred income tax assets	–	–	–	–	–	–	432,899	432,899
Other assets	276,846	1,140,504	284,942	396,809	378,369	72,276	65,543	2,615,289
Total assets	12,385,180	68,935,424	36,239,792	43,519,656	43,283,026	14,615,032	10,966,434	229,944,544
Liabilities								
Deposits and balances from banks	736,296	3,190,041	1,113,113	27,526	–	–	–	5,066,976
Deposits from customers	49,275,485	44,852,105	58,532,260	26,032,872	315,910	–	–	179,008,632
Derivative financial instruments	–	292,183	317,352	133,929	6,366	–	–	749,830
Subordinated debts	–	2,335,113	–	–	–	2,706,573	–	5,041,686
Other liabilities	868,000	1,212,076	834,823	475,107	93,245	76,649	–	3,559,900
Current income tax liabilities	–	329,259	7,299	61,140	–	–	–	397,698
Deferred income tax liabilities	–	–	–	–	–	–	9,001	9,001
Total liabilities	50,879,781	52,210,777	60,804,847	26,730,574	415,521	2,783,222	9,001	193,833,723
Net liquidity gap	(38,494,601)	16,724,647	(24,565,055)	16,789,082	42,867,505	11,831,810	10,957,433	36,110,821
Of which lease liabilities included in: Other liabilities	–	8,575	13,979	49,009	76,520	76,649	–	224,732

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. The outstanding balances of the related party transactions at the reporting date, and related expense and income for the period were as follows:

As at 30 June 2024 (unaudited)	**Ultimate holding company and fellow subsidiaries**	**Associates and joint venture**	**Key management personnel (Note a)**	**Other related parties (Note b)**	**Total**
Aggregate amounts outstanding at the period end					
– Loans and advances	**–**	**–**	**32,829**	**–**	**32,829**
– Cash and balances with banks	**19,906**	**–**	**–**	**82,941**	**102,847**
– Deposits and balances from banks and customers	**227,215**	**652,136**	**512,041**	**31,280**	**1,422,672**
– Investment securities at fair value through other comprehensive income	**125,779**	**–**	**–**	**–**	**125,779**
– Stage 1 and Stage 2 credit impairment allowances	**–**	**–**	**79**	**1**	**80**
– Contingent liabilities and other commitments	**430**	**2,000**	**70,126**	**–**	**72,556**
Six months ended 30 June 2024 (unaudited)					
Interest income received from related parties	**375**	**–**	**1,100**	**3,885**	**5,360**
Interest expenses paid to related parties	**6,681**	**12,254**	**7,931**	**23,781**	**50,647**
Net fee and commission income/(expense) from/(to) related parties	**(10,720)**	**37,455**	**2**	**(821)**	**25,916**
Net other operating income/(expense) from/(to) related parties	**15**	**(3,649)**	**(125)**	**–**	**(3,759)**

As at 31 December 2023 (audited)	Ultimate holding company and fellow subsidiaries	Associates and joint venture	Key management personnel (Note a)	Other related parties (Note b)	Total
Aggregate amounts outstanding at the year end					
– Loans and advances	–	–	42,710	–	42,710
– Cash and balances with banks	21,087	–	–	92,260	113,347
– Deposits and balances from banks and customers	225,134	722,710	446,045	1,146,005	2,539,894
– Investment securities at fair value through other comprehensive income	135,872	–	–	–	135,872
– Stage 1 and Stage 2 credit impairment allowances	–	–	84	1	85
– Contingent liabilities and other commitments	–	2,000	60,477	–	62,477
Six months ended 30 June 2023 (unaudited)					
Interest income received from related parties	232	–	1,206	2,062	3,500
Interest expenses paid to related parties	3,449	7,867	4,224	61,979	77,519
Net fee and commission income/(expense) from/(to) related parties	(7,293)	23,166	–	(818)	15,055
Net other operating income/(expense) from/(to) related parties	15	(3,289)	(150)	–	(3,424)

Note a: 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 personnel or Directors.

Note b: Include other shareholders of the Group.

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 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Salaries and other short-term employee benefits	**39,725**	41,179

30 Segment reporting

(a) By operating segment

Operating segments, and the amounts of each segment item reported in the Group Interim Financial Disclosure Statement, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

For the purpose of assessing performance of business activity by class, the allocation of revenue, besides the direct revenue generated by the business, also includes the benefits of funding resources derived from the other businesses by way of internal fund transfer pricing mechanisms. Cost allocation is based on the direct cost incurred by the class of business and internal allocation of management overheads. Asset allocation is based on the assets directly attributable to the class of business and internal allocation of assets.

The Group is engaged predominantly in banking and related financial activities. It comprises retail and corporate banking, trade finance, treasury and other classes of business.

Retail and corporate banking – incorporating banking services to individual and corporate customers such as current accounts, savings accounts, fixed deposits, safe deposit box, credit cards, loans and other credit facilities.

Trade finance – incorporating import and export bills services, invoice discounting/receivable financing and ECIC supported export finance for small and medium enterprises.

Treasury – conducting treasury operations for trading and investment purposes such as foreign exchange, money market and capital market activities and providing treasury products such as yield enhancement and hedging products to retail and corporate customers.

The business activities under "Others" mainly comprise remittance, share dealing, provisions of trustee, wealth management and insurance services, and support services for operations not directly identified under other reportable segments.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

30 Segment reporting (Continued)

(a) By operating segment (Continued)

	Six months ended 30 June 2024 (unaudited)				
	Retail and corporate banking	**Trade finance**	**Treasury**	**Others**	**Total**
Net interest income	**1,808,434**	**13,245**	**205,834**	**61,054**	**2,088,567**
Non-interest income	**131,191**	**32,735**	**199,246**	**388,295**	**751,467**
Operating income	**1,939,625**	**45,980**	**405,080**	**449,349**	**2,840,034**
Operating expenses	**(561,496)**	**(43,071)**	**(77,355)**	**(335,868)**	**(1,017,790)**
Operating profit before credit impairment losses	**1,378,129**	**2,909**	**327,725**	**113,481**	**1,822,244**
Credit impairment losses	**(1,601,328)**	**(2,942)**	**2,690**	**(341)**	**(1,601,921)**
Operating profit/(loss) after credit impairment losses	**(223,199)**	**(33)**	**330,415**	**113,140**	**220,323**
Share of net profits of associates and joint venture	**–**	**–**	**–**	**16,059**	**16,059**
Profit/(loss) before income tax (after taking into account internal fund transfers and cost allocation)	**(223,199)**	**(33)**	**330,415**	**129,199**	**236,382**
Income tax expense	**75,243**	**(25)**	**54,609**	**(14,895)**	**114,932**
Depreciation expenses and amortisation	**49,274**	**3,520**	**4,249**	**55,450**	**112,493**
As at 30 June 2024 (unaudited):					
Total assets	**84,084,667**	**3,841,605**	**132,699,179**	**6,512,592**	**227,138,043**
Total liabilities	**180,922,998**	**71,397**	**7,869,912**	**1,310,349**	**190,174,656**

	Six months ended 30 June 2023 (unaudited)				
	Retail and corporate banking	Trade finance	Treasury	Others	Total
Net interest income	1,886,311	23,529	38,277	60,549	2,008,666
Non-interest income	153,159	36,069	212,569	390,164	791,961
Operating income	2,039,470	59,598	250,846	450,713	2,800,627
Operating expenses	(491,507)	(46,027)	(61,937)	(328,006)	(927,477)
Operating profit before credit impairment losses	1,547,963	13,571	188,909	122,707	1,873,150
Credit impairment losses	(114,648)	(1,957)	2,897	90	(113,618)
Operating profit after credit impairment losses	1,433,315	11,614	191,806	122,797	1,759,532
Share of net profits of associates and joint venture	–	–	–	33,823	33,823
Profit before income tax (after taking into account internal fund transfers and cost allocation)	1,433,315	11,614	191,806	156,620	1,793,355
Income tax expense	349,862	1,858	28,040	(4,763)	374,997
Depreciation expenses	48,120	3,351	4,631	56,413	112,515
As at 31 December 2023 (audited):					
Total assets	90,376,325	3,231,852	130,597,189	5,739,178	229,944,544
Total liabilities	180,731,701	77,268	11,719,942	1,304,812	193,833,723

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

30 Segment reporting (Continued)

(b) By geographical regions

The following tables provide segment information by geographical area determined with reference to the location of the principal operations of the branches and subsidiaries of the Group.

	As at 30 June 2024 (unaudited)			Six months ended 30 June 2024 (unaudited)		
	Total assets	**Total liabilities**	**Contingent liabilities and commitments**	**Total operating income**	**Profit/(loss) before income tax**	**Capital expenditure**
Hong Kong and Mainland China	**196,084,662**	**182,554,403**	**41,390,446**	**2,215,931**	**(289,090)**	**71,599**
United States	**26,203,611**	**5,663,692**	**1,367,135**	**568,882**	**489,250**	**75**
United Kingdom	**4,849,770**	**1,956,561**	**200,723**	**55,221**	**36,222**	**743**
Total	**227,138,043**	**190,174,656**	**42,958,304**	**2,840,034**	**236,382**	**72,417**

	As at 31 December 2023 (audited)			Six months ended 30 June 2023 (unaudited)		
	Total assets	Total liabilities	Contingent liabilities and commitments	Total operating income	Profit before income tax	Capital expenditure
Hong Kong and Mainland China	197,441,570	184,456,731	38,256,605	2,127,551	1,250,513	57,532
United States	27,493,222	7,585,393	1,285,953	613,012	496,941	24
United Kingdom	5,009,752	1,791,599	261,575	60,064	45,901	174
Total	229,944,544	193,833,723	39,804,133	2,800,627	1,793,355	57,730

NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

31 International claims

The following table shows the Group's international claims by major country or geographical segment, each representing 10% or more 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 30 June 2024 (unaudited)	**Banks**	**Official sector**	**Non-bank financial institutions**	**Non-financial private sector**	**Total**
Developed countries	**21,063,000**	**3,173,000**	**84,000**	**3,610,000**	**27,930,000**
Offshore centres	**13,009,000**	**358,000**	**1,000,000**	**16,719,000**	**31,086,000**
– of which Hong Kong	**5,760,000**	**358,000**	**891,000**	**14,239,000**	**21,248,000**
Developing Asia-Pacific	**58,972,000**	**157,000**	**662,000**	**4,679,000**	**64,470,000**
– of which Mainland China	**31,530,000**	**157,000**	**662,000**	**3,483,000**	**35,832,000**
– of which Taiwan	**22,845,000**	**–**	**–**	**1,092,000**	**23,937,000**

			Non-bank private sector		
As at 31 December 2023 (audited)	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	18,846,000	2,424,000	84,000	2,919,000	24,273,000
Offshore centres	16,523,000	839,000	1,099,000	19,552,000	38,013,000
– of which Hong Kong	7,165,000	839,000	841,000	16,656,000	25,501,000
Developing Asia-Pacific	54,045,000	700,000	668,000	5,747,000	61,160,000
– of which Mainland China	26,947,000	700,000	668,000	3,917,000	32,232,000
– of which Taiwan	22,929,000	–	–	1,728,000	24,657,000

REGULATORY DISCLOSURES (UNAUDITED)

The following disclosures are prepared under regulatory scope of consolidation to comply with the Banking (Disclosure) Rules and are not audited.

1 Key prudential ratios

		30 June 2024	31 March 2024	31 December 2023	30 September 2023	30 June 2023
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	34,287,866	34,810,317	34,098,470	34,144,992	33,087,952
2	Tier 1	34,287,866	34,810,317	34,098,470	34,144,992	33,087,952
3	Total capital	38,358,671	38,835,402	40,380,857	40,724,113	39,667,727
Risk Weighted Amounts (RWA)						
4	Total RWA	138,800,632	144,058,520	151,571,670	154,595,001	157,220,098
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	24.7%	24.2%	22.5%	22.1%	21.0%
6	Tier 1 ratio (%)	24.7%	24.2%	22.5%	22.1%	21.0%
7	Total capital ratio (%)	27.6%	27.0%	26.6%	26.3%	25.2%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.65%	0.65%	0.65%	0.65%	0.64%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	3.2%	3.2%	3.2%	3.1%	3.1%
12	CET1 available after meeting the AI's minimum capital requirements (%)	18.7%	18.2%	16.5%	16.1%	15.0%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	233,905,700	233,204,050	236,222,005	231,521,362	237,006,590
14	LR (%)	14.7%	14.9%	14.4%	14.7%	14.0%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	80.4%	81.1%	62.8%	59.4%	57.9%
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	272.8%	264.9%	252.2%	241.5%	231.4%

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy

The calculation of the capital adequacy ratio as at 30 June 2024 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratio represents the consolidated ratio 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 Westpoint Investments Limited, Silver Wisdom Westpoint 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 Group uses the standardised approach to calculate the risk-weighted assets for its credit risk and market risk exposures, and the basic indicator approach to calculate its operational risk capital charge. The Group operates subsidiaries in different countries where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between members of the Group.

The table below shows the balance sheet based on accounting scope of consolidation and the regulatory scope of consolidation, and the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Composition of Regulatory Capital as at 30 June 2024.

Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Assets			
Cash and balances with banks	68,392,017	68,389,876	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(800)	(1)
Placements with banks	16,867,484	16,867,484	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(199)	(2)
Loans and advances to customers	83,338,338	83,338,338	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(371,023)	(3)
Financial assets at fair value through profit or loss	1,080,388	1,049,186	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold	–	1,802	(4)
Derivative financial instruments	237,194	237,194	
Investment securities at fair value through other comprehensive income	38,756,426	38,756,426	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold	–	521,841	(5)
Investment securities at amortised cost	10,808,618	10,808,618	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(257)	(6)
Properties for sale	882,741	882,741	
Investments in associates and joint venture	448,915	188,000	
Investments in and amounts due from subsidiaries	–	305,268	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(32,290)	(7)

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Properties and equipment	2,354,962	2,338,159	
Investment properties	980,438	1,008,513	
Deferred income tax assets	598,904	604,197	(8)
Other assets	2,391,618	2,354,939	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(3,300)	(9)
Total assets	227,138,043	227,128,939	
Liabilities			
Deposits and balances from banks	4,139,131	4,139,131	
Deposits from customers	179,174,780	179,174,780	
Derivative financial instruments	192,582	192,582	
Amounts due to subsidiaries	–	678,363	
Subordinated debts	2,706,313	2,706,313	(10)
Other liabilities	3,705,597	3,561,855	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	24,343	(11)
Current income tax liabilities	246,604	246,024	
Deferred income tax liabilities	9,649	8,870	
Total liabilities	190,174,656	190,707,918	
Equity			
Share capital	2,000,000	2,000,000	(12)
Retained earnings	25,117,195	24,705,275	(13)
Reserves	9,734,798	9,715,746	
of which: accumulated other comprehensive income/(loss), other than regulatory reserve	–	8,783,466	(14)
regulatory reserve	–	932,280	(15)
Non-controlling interests in equity	111,394	–	
Total equity	36,963,387	36,421,021	
Total equity and liabilities	227,138,043	227,128,939	

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital

The Bank has already applied full capital deductions under the BCR. The Composition of Regulatory Capital as at 30 June 2024 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	(12)
2	Retained earnings	24,705,275	(13)
3	Disclosed reserves	9,715,746	(14) + (15)
4	Directly issued capital subject to phase-out arrangements from CET1 (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**	**36,421,021**	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,112	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	71,923	
10	Deferred tax assets (net of associated deferred tax liabilities)	604,197	(8)
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital 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 LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	523,643	(4) + (5)
19	Significant LAC 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 (net of associated deferred tax liabilities)	Not applicable	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share 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	932,280	
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	932,280	(15)
26c	Securitization exposures specified in a notice given by the Monetary Authority	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
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**	**2,133,155**	
29	**CET1 capital**	**34,287,866**	
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 LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC 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)**	**34,287,866**	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	2,706,313	(10)
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 provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,364,492	(11) + (15) – (1) – (2) – (3) – (6) – (7) – (9)
51	**Tier 2 capital before regulatory deductions**	**4,070,805**	

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (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 and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
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	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	
58	**Tier 2 capital**	**4,070,805**	
59	**Total regulatory capital (TC = Tier 1 + Tier 2)**	**38,358,671**	
60	**Total risk weighted assets**	**138,800,632**	
Capital ratios (as a percentage of risk weighted assets)			
61	**CET1 capital ratio**	**24.7%**	
62	**Tier 1 capital ratio**	**24.7%**	
63	**Total capital ratio**	**27.6%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**3.2%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.65%	
67	of which: higher loss absorbency requirement	–	
68	**CET1 (as a percentage of RWA) available after meeting minimum capital requirements**	**18.7%**	
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	

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	3,481,152	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	656,984	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
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 BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,364,492	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,539,424	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	
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)	–	

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

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 ("DTA") (net of associated deferred tax liabilities)**	**604,197**	**–**
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs 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 AI 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 or other credit exposures to connected companies) under Basel III.		
Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments

The main features of regulatory capital instruments as at 30 June 2024 are shown below. Full terms and conditions are published in the Bank's website of http://www.shacombank.com.hk and are accessible via the following direct link: http://www.shacombank.com.hk/eng/about/regulatory/20240630.jsp

		Ordinary shares	Subordinated notes due 2033
1	Issuer	Shanghai Commercial Bank Limited	Shanghai Commercial Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	ISIN: XS2531672892
3	Governing law(s) of the instrument	Laws of Hong Kong	English Law, except that the subordination provisions shall be governed by the laws of Hong Kong.
	Regulatory treatment		
4	Transitional Basel III rules[#]	N/A	N/A
5	Post-transitional Basel III rules[+]	Common Equity Tier 1	Tier 2
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$2,000 million	HK$2,706 million
9	Par value of instrument	N/A	US$350 million
10	Accounting classification	Shareholders' equity	Liability-amortised cost
11	Original date of issuance	1951, 1968, 1969, 1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000	28 February 2023
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	28 February 2033
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	One-off call date: 28 February 2028. Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the HKMA.
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	N/A	6.375% p.a. Fixed until 28 February 2028 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible

REGULATORY DISCLOSURES (UNAUDITED)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments (Continued)

		Ordinary shares	Subordinated notes due 2033
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	N/A	The earlier of the HKMA notifying the issuer in writing: (i) that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32	If write-down, full or partial	N/A	May be in part or in full
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	N/A	The rights of the holders will, in the event of the winding up of the Bank, rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments of the Issuer.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Footnote:

[#] Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR

[+] Regulatory treatment of capital instruments not subject to transitional arrangement provided for in Schedule 4H to the BCR

[*] Include solo-consolidated

REGULATORY DISCLOSURES (UNAUDITED)

3 Overview of RWA

The table below shows the breakdowns of RWA for various risks as at 30 June 2024 and 31 March 2024 and the minimum capital requirements as at 30 June 2024 which are calculated by multiplying the Group's RWA by 8%.

		RWA		Minimum capital requirements
		30 June 2024	31 March 2024	30 June 2024
1	Credit risk for non-securitization exposures	120,890,917	125,886,315	9,671,273
2	Of which STC approach	120,890,917	125,886,315	9,671,273
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	Counterparty default risk and default fund contributions	620,541	519,812	49,643
7	Of which SA-CCR approach	620,541	519,812	49,643
7a	Of which CEM	–	–	–
8	Of which IMM (CCR) approach	–	–	–
9	Of which others	–	–	–
10	Credit valuation adjustment ("CVA") risk	131,688	119,413	10,535
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	–	–	–
13	CIS exposures – MBA	–	–	–
14	CIS exposures – FBA	–	–	–
14a	CIS exposures – combination of approaches	–	–	–
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	5,392,438	5,857,850	431,395
21	Of which STM approach	5,392,438	5,857,850	431,395
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	10,122,588	9,935,875	809,807
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,642,460	1,739,255	131,397
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	–	–	–
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	**Total**	138,800,632	144,058,520	11,104,050

REGULATORY DISCLOSURES (UNAUDITED)

4 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 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 Hong Kong Monetary Authority 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 which have an applicable JCCyB ratio greater than zero as at 30 June 2024.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	1.00%	61,738,065		
2	Australia	1.00%	48,634		
3	Belgium	0.50%	2,084		
4	Chile	0.50%	94		
5	France	1.00%	318		
6	Germany	0.75%	101		
7	Netherlands	2.00%	1,315		
8	South Korea	1.00%	20,485		
9	United Kingdom	2.00%	670,400		
	Sum		**62,481,496**		
	Total		**96,734,724**	**0.65%**	**906,368**

REGULATORY DISCLOSURES (UNAUDITED)

5 Leverage ratio

The leverage ratio ("LR") represents the consolidated ratio computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the summary comparison of accounting assets against leverage ratio exposure measure as at 30 June 2024.

Item		Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions)	227,842,136
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,104)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustments for derivative contracts	716,484
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	8,193,432
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(704,093)
7	Other adjustments	(2,133,155)
8	**Leverage ratio exposure measure**	**233,905,700**

The leverage ratios as at 30 June 2024 and 31 March 2024 are shown below:

		30 June 2024	31 March 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	227,595,838	225,796,739
2	Less: Asset amounts deducted in determining Tier 1 capital	(2,133,155)	(1,708,601)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	225,462,683	224,088,138
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	129,494	93,526
5	Add-on amounts for PFE associated with all derivative contracts	824,184	798,632
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11	**Total exposures arising from derivative contracts**	953,678	892,158

REGULATORY DISCLOSURES (UNAUDITED)

5 Leverage ratio (Continued)

		30 June 2024	31 March 2024
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	–
15	Agent transaction exposures	–	–
16	**Total exposures arising from SFTs**	–	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	42,958,304	44,371,712
18	Less: Adjustments for conversion to credit equivalent amounts	(34,764,872)	(35,641,358)
19	**Off-balance sheet items**	8,193,432	8,730,354
Capital and total exposures			
20	**Tier 1 capital**	34,287,866	34,810,317
20a	**Total exposures before adjustments for specific and collective provisions**	234,609,793	233,710,650
20b	**Adjustments for specific and collective provisions**	(704,093)	(506,600)
21	**Total exposures after adjustments for specific and collective provisions**	233,905,700	233,204,050
Leverage ratio			
22	**Leverage ratio**	14.7%	14.9%

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

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk

(a) Credit quality of exposures as at 30 June 2024

		Gross carrying amounts of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	2,146,699	81,824,731	633,092	262,069	371,023	–	83,338,338
2	Debt securities	–	45,448,485	257	–	257	–	45,448,228
3	Off-balance sheet exposures	–	13,624,308	11,639	3,566	8,073	–	13,612,669
4	**Total**	**2,146,699**	**140,897,524**	**644,988**	**265,635**	**379,353**	**–**	**142,399,235**

(b) Changes in defaulted loans and debt securities

		Amount
1	Defaulted loans and debt securities as at end December 2023	511,485
2	Loans and debt securities that have defaulted since the last reporting period	3,002,054
3	Returned to non-defaulted status	(2,462)
4	Amounts written off	(1,350,358)
5	Other changes	(14,020)
6	**Defaulted loans and debt securities as at end June 2024**	**2,146,699**

(c) Overview of recognised credit risk mitigation as at 30 June 2024

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	80,338,063	3,000,275	2,986,631	13,644	–
2	Debt securities	45,448,228	–	–	–	–
3	**Total**	**125,786,291**	**3,000,275**	**2,986,631**	**13,644**	**–**
4	Of which defaulted	601,288	1,385,214	1,385,214	–	–

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk (Continued)

(d) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach as at 30 June 2024

	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	10,273,652	–	10,274,655	–	37,170	0%
2	PSE exposures	8,404,754	250,000	8,403,751	125,000	1,705,750	20%
2a	Of which: domestic PSEs	5,701,312	250,000	5,700,309	125,000	1,165,062	20%
2b	Of which: foreign PSEs	2,703,442	–	2,703,442	–	540,688	20%
3	Multilateral development bank exposures	7,471,923	–	7,471,923	–	–	0%
4	Bank exposures	92,753,351	6,049,192	92,765,333	1,227,219	21,277,665	23%
5	Securities firm exposures	341,319	2,241,199	341,319	–	170,660	50%
6	Corporate exposures	78,648,363	24,406,387	77,732,324	2,833,822	76,014,207	94%
7	CIS exposures	–	–	–	–	–	–
8	Cash items	798,453	–	2,399,870	–	236,741	10%
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	2,927,654	2,119,875	2,838,516	120,100	2,218,962	75%
11	Residential mortgage loans	6,250,560	1,806,465	6,250,560	902,492	3,261,963	46%
12	Other exposures which are not past due exposures	14,241,042	6,081,620	13,632,820	47,833	13,680,653	100%
13	Past due exposures	1,986,502	–	1,986,502	–	2,287,146	115%
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	**Total**	**224,097,573**	**42,954,738**	**224,097,573**	**5,256,466**	**120,890,917**	**53%**

REGULATORY DISCLOSURES (UNAUDITED)

6 Credit risk (Continued)

(e) Credit risk exposures by asset classes and by risk weights – for STC approach as at 30 June 2024

Exposure class \ Risk Weight		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	10,088,804	–	185,851	–	–	–	–	–	–	–	**10,274,655**
2	PSE exposures	–	–	8,528,751	–	–	–	–	–	–	–	**8,528,751**
2a	Of which: domestic PSEs	–	–	5,825,309	–	–	–	–	–	–	–	**5,825,309**
2b	Of which: foreign PSEs	–	–	2,703,442	–	–	–	–	–	–	–	**2,703,442**
3	Multilateral development bank exposures	7,471,923	–	–	–	–	–	–	–	–	–	**7,471,923**
4	Bank exposures	–	–	85,728,703	–	8,263,849	–	–	–	–	–	**93,992,552**
5	Securities firm exposures	–	–	–	–	341,319	–	–	–	–	–	**341,319**
6	Corporate exposures	–	–	145,493	–	8,871,091	–	71,549,562	–	–	–	**80,566,146**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	**–**
8	Cash items	1,558,582	–	755,684	–	–	–	85,604	–	–	–	**2,399,870**
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	–	–	–	–	–	2,958,616	–	–	–	–	**2,958,616**
11	Residential mortgage loans	–	–	–	5,934,757	–	133,988	1,084,307	–	–	–	**7,153,052**
12	Other exposures which are not past due exposures	–	–	–	–	–	–	13,680,653	–	–	–	**13,680,653**
13	Past due exposures	–	–	–	–	–	–	1,385,214	601,288	–	–	**1,986,502**
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	**–**
15	**Total**	**19,119,309**	**–**	**95,344,482**	**5,934,757**	**17,476,259**	**3,092,604**	**87,785,340**	**601,288**	**–**	**–**	**229,354,039**

REGULATORY DISCLOSURES (UNAUDITED)

7 Counterparty credit risk

(a) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 30 June 2024

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	138,468	567,804		1.4	988,780	620,541
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple approach (for SFTs)					–	–
4	Comprehensive approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	**Total**						**620,541**

(b) CVA capital charge as at 30 June 2024

		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	988,780	131,688
4	**Total**	**988,780**	**131,688**

REGULATORY DISCLOSURES (UNAUDITED)

7 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 30 June 2024

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	–	–	159,378	–	416,560	–	–	–	–	–	**575,938**
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6	Corporate exposures	–	–	–	–	64,914	–	220,198	–	–	–	**285,112**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8	Regulatory retail exposures	–	–	–	–	–	–	–	–	–	–	–
9	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10	Other exposures which are not past due exposures	–	–	–	–	–	–	127,730	–	–	–	**127,730**
11	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12	**Total**	**–**	**–**	**159,378**	**–**	**481,474**	**–**	**347,928**	**–**	**–**	**–**	**988,780**

REGULATORY DISCLOSURES (UNAUDITED)

7 Counterparty credit risk (Continued)

(d) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 30 June 2024

		Derivative contracts				SFTs	
		Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash – other currencies	–	50,126	–	36,307	–	–
2	Debt securities	–	74,087	–	87,479	–	–
	Total	**–**	**124,213**	**–**	**123,786**	**–**	**–**

(e) Credit-related derivatives contracts

The Group did not have any credit-related derivatives contracts as at 30 June 2024.

(f) Exposures to CCPs

The Group did not have any exposures to CCPs as at 30 June 2024.

8 Market risk

Market risk under STM approach as at 30 June 2024

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	651,363
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	4,506,000
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	235,075
7	Other approach	–
8	Securitization exposures	–
9	**Total**	**5,392,438**

REGULATORY DISCLOSURES (UNAUDITED)

9 Non-bank Mainland exposures

The Bank	30 June 2024			31 December 2023		
Types of counterparties	**On-balance sheet exposures**	**Off-balance sheet exposures**	**Total**	On-balance sheet exposures	Off-balance sheet exposures	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures	**1,967,079**	**14,307**	**1,981,386**	2,674,278	72,613	2,746,891
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	**–**	**–**	**–**	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	**7,576,975**	**658,883**	**8,235,858**	8,411,780	1,117,658	9,529,438
4. Other entities of central government not reported in item 1 above	**363,013**	**–**	**363,013**	354,024	–	354,024
5. Other entities of local governments not reported in item 2 above	**140,412**	**–**	**140,412**	140,067	–	140,067
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	**5,112,593**	**292,593**	**5,405,186**	5,492,634	763,260	6,255,894
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	**869,600**	**240**	**869,840**	1,603,260	6	1,603,266
Total	**16,029,672**	**966,023**	**16,995,695**	18,676,043	1,953,537	20,629,580
Total assets after provision	**220,521,496**			221,673,471		
On-balance sheet exposures as percentage of total assets	**7.27%**			8.43%		

REGULATORY DISCLOSURES (UNAUDITED)

10 Currency concentrations

As at 30 June 2024

Equivalent in Hong Kong dollars	**Spot assets**	**Spot liabilities**	**Forward purchases**	**Forward sales**	**Net options position**	**Net long/ (short) position**	**Net structural position**
US Dollars	**86,494,000**	**(87,487,000)**	**40,692,000**	**(33,152,000)**	**(428,000)**	**6,119,000**	**6,748,000**
Pound Sterling	**7,783,000**	**(5,675,000)**	**3,464,000**	**(5,533,000)**	**(17,000)**	**22,000**	**4,000**
Euro Dollars	**1,501,000**	**(1,179,000)**	**1,855,000**	**(2,440,000)**	**310,000**	**47,000**	**–**
Renminbi	**17,668,000**	**(16,538,000)**	**7,967,000**	**(8,854,000)**	**182,000**	**425,000**	**4,342,000**
Canadian Dollars	**1,436,000**	**(1,430,000)**	**62,000**	**(65,000)**	**–**	**3,000**	**–**
Australian Dollars	**2,692,000**	**(2,562,000)**	**1,539,000**	**(1,704,000)**	**–**	**(35,000)**	**–**
Other currencies and gold	**2,307,000**	**(1,813,000)**	**5,175,000**	**(5,560,000)**	**(47,000)**	**62,000**	**–**
	119,881,000	**(116,684,000)**	**60,754,000**	**(57,308,000)**	**–**	**6,643,000**	**11,094,000**

As at 31 December 2023

Equivalent in Hong Kong dollars	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long/ (short) position	Net structural position
US Dollars	93,411,000	(92,494,000)	47,660,000	(46,189,000)	(115,000)	2,273,000	6,469,000
Pound Sterling	8,314,000	(5,588,000)	3,064,000	(5,891,000)	–	(101,000)	4,000
Euro Dollars	1,230,000	(1,296,000)	1,582,000	(1,517,000)	(21,000)	(22,000)	–
Renminbi	18,850,000	(17,864,000)	8,975,000	(9,055,000)	–	906,000	3,888,000
Canadian Dollars	1,405,000	(1,393,000)	11,000	(14,000)	–	9,000	–
Australian Dollars	2,738,000	(2,740,000)	2,172,000	(2,126,000)	–	44,000	–
Other currencies and gold	2,015,000	(1,702,000)	8,211,000	(8,592,000)	136,000	68,000	–
	127,963,000	(123,077,000)	71,675,000	(73,384,000)	–	3,177,000	10,361,000

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

Financial Review

Going into 2024, Hong Kong's economy has continued to recover moderately and the real Gross Domestic Product ("GDP") grew by 3.3% in the second quarter of 2024 over a year earlier while the local seasonally adjusted unemployment rate stood at a low level of 3.0% for the three months ended June 2024. During the period, the Government has revitalised the local economy through various means, including lifting all demand-side management measures for residential properties, relaxation of prudential measures for property mortgage loans and launch of consumption stimulus activities. However, both the global and domestic business environment remained challenging alongside with elevated interest rates, strong United States Dollar and heightened geopolitical tensions, leading to price drops in assets and commodities and muted sentiments in investment and consumption activities.

For the first six months ended 30 June 2024, Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together the "Group") recorded a net operating revenue of HK$2,840 million, an increase of HK$39 million or 1.4% year-on-year, largely attributable to higher net interest income though offset by lower net fee and commission income. Consolidated profit after tax of the Group for the period declined to HK$121 million from that of HK$1,418 million a year ago mainly due to notable impairment charges. The Bank's operation and business, however, remained resilient with total capital adequacy ratio and common equity Tier 1 capital ratio maintained robust at 27.6% and 24.7% respectively at the end of June 2024 while liquidity maintenance ratio for the period averaged 80.8%, which are at the top tier level among peer banks.

Under sustained global interest rate hikes, the net interest income continued to grow by 4.0% with the average net interest margin improved by 6 basis points to 1.94%. Net fee and commission income was 12.4% lower than that of the same period last year mainly due to reduced revenue contribution from investment products sales and lower facility fees while compensated by notable growth in commission from life insurance business. Net trading income also decreased by 6.9% year-on-year mainly attributable to slowdown in foreign exchange activities. Credit impairment recorded a charge of HK$1,602 million for the period, mainly due to certain loan downgrades and increase in specific provisions to reflect the market driven trend. The impaired loan ratio was 3.37% at the end of June 2024 compared to 2.84% at the end of 2023. The Group has taken proactive measures to enhance the credit quality of the loan portfolio and will continue to strengthen the overall credit risk management, while liquidity and capital ratios remain sound. The Group's total expenses were 9.7% higher than that for the first half of 2023, primarily on staff cost, legal and professional expenses, with the average cost-to-income ratio for the period increased to 35.8% from that of 33.1% for the same period last year.

Net comprehensive income attributable to equity holders for the first half of 2024 amounted to HK$851 million, a decrease of 49.5% year-on-year mainly due to reduced net profit for the period.

The overall loan-to-deposit ratio was 46.9% at the end of June 2024 compared with 50.1% at the end of 2023 as gross loans and advances decreased by 6.3% to HK$84 billion while total customer deposits has been stable at HK$179 billion since the end of 2023.

At the end of June 2024, the Group's total assets dropped by 1.2% to HK$227 billion while shareholders' funds grew by 2.4% to HK$36.9 billion as compared with that at the end of 2023. On 17 January 2024, the Bank fully redeemed the US$300 million subordinated notes due 2029 while the Group's capital adequacy ratio continued to display a strong capital position.

Highlights of Business Performance

Amid the lackluster market environment and weak lending demand, the loan portfolio of the Group experienced a decline during the first half of 2024 as we continued to leverage the Group's strength in risk monitoring and adopt a more prudent approach. The Group continues to support valued customers and focus on customers' credit quality and diversification of loan portfolio that explores growth in non-property related sectors, green financing and environmental, social and governance ("ESG") related lending. Since the second half of 2023, we have been engaging in Micro Small-and-Medium Enterprises ("Micro SMEs") business segment, which has demonstrated promising growth, both in new customer acquisitions and loan drawdowns.

In terms of fee income, the Group recorded a year-on-year decrease, primarily due to the decrease in facility fees and income from investment products sales as a result of reduced demand from customers and unfavorable market environment, while insurance sales business experienced notable growth due to higher demand and expansion in customer base.

With respect to our Treasury business, the Group had achieved satisfactory results in foreign exchange proprietary trading while the treasury product offerings have been expanded to fulfill the investment and hedging needs of our customers. Meanwhile, the Group always regards good liquidity and high credit quality as key criteria in managing treasury assets. Replenishment of bonds with higher yield and sound credit quality contributed a better return to our investment portfolio. New investments during the period mainly came from debt securities issued by sovereigns, quasi-government organisations and supranational institutions.

REVIEW OF OPERATIONS

Highlights of Business Performance (Continued)

In the rapidly evolving digital landscape, the Group continues to invest in building new digital capabilities. The Group recently launched the enhanced Overseas Internet Banking Platform and online Global Stock Trading System, marking a milestone in our digital transformation journey. We also leverage Interbank Account Data Sharing ("IADS") and Open Application Programming Interface ("Open API") to enhance operational efficiency and streamline credit assessment processes. The Bank was invited to share our insights at the SME Seminar co-organised by the Hong Kong Monetary Authority, the Hong Kong Association of Banks and the Chinese Banking Association of Hong Kong in June 2024, sharing our success story with industry peers on leveraging fintech to enrich customer experience. Going forward, we remain committed to excelling personalised services in the digital era.

Our redevelopment project "The Highline" has been completed. The Highline comprises 173 residential units in contemporary boutique design and three commercial floors. The pre-sale of residential portion commenced on 12 June 2024 on a strata-title basis. Pre-sale activity has been encouraging while the commercial floors are retained by the Group for business expansion. The sale of Highline will further enhance the Group's funding and capital capacity.

Sustainability

The Bank has embedded sustainability into our operations, culture and overall business strategy, also created a "Green Office" through diligent environment and carbon management to achieve carbon neutrality. Our robust governance and risk management allow us to effectively identify, assess and mitigate climate-related risks to bolster resilience. We adhere to green and sustainable banking ("GSB") practices by expanding green investment portfolio, accelerating digital transformation and integrating technology with green banking solutions to complement our multifaceted sustainability efforts. Walking side-by-side with our customers in the transition to low-carbon economy, we have recently formulated the Green and Sustainable Finance Classification Guideline. In the first half of 2024, the Bank received several corporate banking awards from reputable associations, recognising our professional services and sustainability performance.

The Bank endeavors to serve the communities and help those in need. We persistently deepen our investment in sustainable development and social well-being by supporting an array of community initiatives, particularly those emphasising community care, youth development and environmental protection. We also highly encourage staff engagements in volunteer work and charitable events to play our part in shaping a more sustainable future.

Bank Culture

Supporting the Bank's commitment in GSB, we have dedicated considerable resources and efforts to equip our staff with up-to-date ESG and fintech knowledge and relevant qualifications. The biennial employee survey was conducted in May 2024 to gauge our staff's feedback on the Bank's continuous efforts in the implementation of the core values. Cultivation of desirable behavior and positive qualities remains our priority. We recognise the culture of appreciation and various programs have been launched to applaud our colleagues who have demonstrated quality customer services and contributions to the Bank's green and digital initiatives.

Looking Ahead

In the face of continued headwinds in global and local operating environment, we stay vigilant and react swiftly through effective controls and risk management complementing the sound governance framework. The Five-Year Plan for 2024 to 2028 guides the Bank to capture emerging opportunities in the dynamic banking present and future, especially in digital, ESG, GSB, Greater Bay Area realms, which have become strategic directions for sustainable value creation. The Bank will strive to pursue steady development in all business lines to enhance our competitiveness and market niche, while observing adherence to heightened regulatory compliance and governance standards.

STATEMENT OF COMPLIANCE

In preparing the Group Interim Financial Disclosure Statement, the Bank complies with the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance.

Stephen Ching Yen LEE
Chairman

Charles Chi Man MA
Managing Director and Chief Executive

Hong Kong, 21 August 2024

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 39, which comprises the interim condensed consolidated statement of financial position of Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information. 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" issued by the Hong Kong Institute of Certified Public Accountants. 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2024