上海商業銀行
SHANGHAI COMMERCIAL BANK

2014

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT



SHANGHAI COMMERCIAL BANK LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2014

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I PRINCIPAL ACTIVITIES

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

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

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

This Group Interim Financial Information Disclosure Statement is presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated, and was approved for issue by the Board of Directors on 20th August 2014.

II 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.

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

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

II BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (Continued)

The following is a list of the subsidiaries as at 30th June 2014:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	Percentage of ordinary share capital held by non-controlling interests in equity	Total assets	Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares of HK$100 each	*100%	0%	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares of HK$10,000 each	*60%	40%	14,312	14,000
Shacom Futures Limited	Hong Kong	Commodities trading Hong Kong	100,000 ordinary shares of HK$100 each	*100%	0%	11,324	9,203
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares of HK$100 each	*100%	0%	2,233,479	11,773
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding British Virgin Islands	2 ordinary shares of US$1 each	*100%	0%	42,311	(3,066)
Shacom Property (NY) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	*100%	0%	5,843	5,843
Shacom Property (CA) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	*100%	0%	2,799	2,776
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares of HK$1 each	*100%	0%	956,866	228
Infinite Financial Solutions Limited	Hong Kong	I.T. application services provider Hong Kong	500,000 ordinary shares of US$1 each	*80%	20%	25,187	16,347
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares of HK$1 each	*100%	0%	3,126	1,191
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	1,000,000 ordinary shares of HK$100 each	*100%	0%	420,811	157,952
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares of HK$1 each	*100%	0%	682	394
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares of HK$100 each	*60%	40%	232,105	142,021
Right Honour Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	*100%	0%	-	(63)
Glory Step Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%	0%	190,369	(1,358)
Silver Wisdom Investments Limited	British Virgin Islands	Property holding British Virgin Islands	1 ordinary share of US$1 each	100%	0%	285,395	(1,448)

* Shares held directly by the Bank.

II BASIS OF CONSOLIDATION (CONTINUED)

(b) Transactions with non-controlling interests

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

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

(c) Joint ventures

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

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

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

III CONSOLIDATED INCOME STATEMENT

	Note	**Six months ended 30th June 2014 (unaudited) HK$'000**	Six months ended 30th June 2013 (unaudited) HK$'000
Interest income	1a	**1,777,171**	1,557,150
Interest expense	1b	**(544,215)**	(486,132)
Net interest income		**1,232,956**	1,071,018
Fee and commission income	1c	**356,900**	369,341
Fee and commission expense	1d	**(19,207)**	(17,837)
Net fee and commission income		**337,693**	351,504
Dividend income	2a	**34,500**	2,363
Net trading income	2b	**54,139**	47,720
Net gains/(losses) from disposal of equipment		**26**	(321)
Net gains from disposal of available-for-sale investments		**27,580**	139,133
Other operating income	2c	**34,897**	31,802
Net earned insurance premium	2d	**22,833**	21,554
Net insurance claims incurred and movement in policyholders' liabilities		**(10,945)**	(9,835)
Operating expenses	3	**(572,320)**	(556,181)
Charge of impairment losses on loans and advances to customers	4	**(10,103)**	(36)
Operating profit		**1,151,256**	1,098,721
Share of net profits of joint ventures		**18,210**	11,863
Profit before income tax		**1,169,466**	1,110,584
Income tax expense	5	**(223,979)**	(222,194)
Profit for the period		**945,487**	888,390
Attributable to:			
Equity holders of the Bank		**943,612**	886,858
Non-controlling interests		**1,875**	1,532
		945,487	888,390

IV CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
Profit for the period	**945,487**	888,390
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(18,355)**	13,487
Net gains/(losses) on available-for-sale investments		
Fair value changes on available-for-sale investments taken to equity	**70,178**	(185,730)
Exchange differences on translation of available-for-sale investments	**1,113**	2,345
Fair value changes transferred to income statement on disposal of available-for-sale investments	**(27,580)**	(139,133)
Deferred income tax	**(7,212)**	53,349
Share of investment revaluation reserve of joint ventures	**537**	(137)
Other comprehensive income for the period	**18,681**	(255,819)
Total comprehensive income for the period	**964,168**	632,571
Attributable to:		
Equity holders of the Bank	**962,347**	631,187
Non-controlling interests	**1,821**	1,384
	964,168	632,571

V CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30th June 2014 (unaudited) HK$'000**	31st December 2013 (audited) HK$'000
ASSETS			
Cash and balances with banks	6	**24,154,110**	25,396,151
Placements with and loans and advances to banks	7	**25,595,923**	23,266,965
Loans and advances to customers	8	**64,876,927**	62,093,205
Financial assets held for trading		**397,794**	368,882
Derivative financial instruments	9b	**78,149**	73,485
Investment securities:			
- Available-for-sale		**24,944,650**	25,472,136
- Held-to-maturity		**2,485,941**	2,484,874
Investments in joint ventures		**250,303**	234,456
Properties and equipment	10	**2,561,865**	2,424,014
Investment properties	11	**45,285**	92,495
Deferred income tax assets	13	**41,706**	50,430
Other assets		**740,186**	1,113,762
TOTAL ASSETS		**146,172,839**	143,070,855
LIABILITIES			
Deposits and balances from banks		**7,434,371**	7,108,798
Deposits from customers	12	**116,378,894**	113,641,193
Derivative financial instruments	9b	**63,667**	61,805
Other liabilities		**1,173,428**	1,282,470
Provisions		**71,994**	93,064
Current income tax liabilities		**218,545**	141,000
Deferred income tax liabilities	13	**246,190**	240,543
TOTAL LIABILITIES		**125,587,089**	122,568,873
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital		**2,000,000**	2,000,000
Retained earnings		**9,304,193**	9,245,499
Other reserves	14	**9,215,874**	9,192,221
		20,520,067	20,437,720
Non-controlling interests in equity		**65,683**	64,262
TOTAL EQUITY		**20,585,750**	20,501,982
TOTAL EQUITY AND LIABILITIES		**146,172,839**	143,070,855

VI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings (Note)		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1st January 2013	2,000,000	8,965,268	8,285,990	61,721	19,312,979
Profit for the period	-	-	886,858	1,532	888,390
Other comprehensive income					
Fair value losses, net of tax:					
- available-for-sale investments	-	(132,048)	-	(333)	(132,381)
Currency translation differences	-	13,630	2,202	-	15,832
Share of investment revaluation reserve of joint ventures	-	(137)	-	-	(137)
Realised on disposal of available-for-sale investments	-	(139,318)	-	185	(139,133)
Total other comprehensive income	-	(257,873)	2,202	(148)	(255,819)
Transfer from retained earnings	-	1,104	(1,104)	-	-
Dividend relating to 2012	-	-	(820,000)	(400)	(820,400)
Balance as at 30th June 2013 (unaudited)	2,000,000	8,708,499	8,353,946	62,705	19,125,150
Balance as at 1st January 2014	**2,000,000**	**9,192,221**	**9,245,499**	**64,262**	**20,501,982**
Profit for the period	**-**	**-**	**943,612**	**1,875**	**945,487**
Other comprehensive income					
Fair value gains/ (losses), net of tax:					
- available-for-sale investments	**-**	**63,020**	**-**	**(54)**	**62,966**
Currency translation differences	**-**	**(12,324)**	**(4,918)**	**-**	**(17,242)**
Share of investment revaluation reserve of joint ventures	**-**	**537**	**-**	**-**	**537**
Realised on disposal of available-for-sale investments	**-**	**(27,580)**	**-**	**-**	**(27,580)**
Total other comprehensive income	**-**	**23,653**	**(4,918)**	**(54)**	**18,681**
Dividend relating to 2013	**-**	**-**	**(880,000)**	**(400)**	**(880,400)**
Balance as at 30th June 2014 (unaudited)	**2,000,000**	**9,215,874**	**9,304,193**	**65,683**	**20,585,750**

Note: Included in the retained earnings as at 1st January 2014 was the proposed final dividend of HK$880,000,000 for the year ended 31st December 2013 (1st January 2013 : HK$820,000,000 proposed final dividend for the year ended 31st December 2012).

VII NOTES TO THE GROUP INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENT

1 Net interest income and net fee and commission income

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
(a) Interest income		
Cash and balances with banks	**435,674**	321,134
Investment securities		
- Available-for-sale	**292,329**	317,484
- Held-to-maturity	**12,668**	15,502
Loans and advances to customers	**1,031,982**	898,377
Others	**4,518**	4,653
	1,777,171	1,557,150
Included within interest income		
Interest income on listed investments	**113,512**	132,624
Interest income on unlisted investments	**191,485**	200,362
Interest income accrued on impaired financial assets	**2,403**	4,277
(b) Interest expense		
Deposits and balances from bank	**26,976**	15,502
Deposits from customers	**515,791**	468,608
Others	**1,448**	2,022
	544,215	486,132

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

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

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
(c) Fee and commission income		
Commissions from bills	**57,479**	57,476
Nominees, custodian and securities brokerage commissions	**99,779**	117,895
Commissions from wealth management products	**46,816**	42,685
Commissions from remittance	**26,308**	25,855
Facility fees	**52,665**	53,919
Fees from credit cards	**22,274**	24,245
Commissions from retail banking	**21,607**	20,939
Commissions from insurance	**22,917**	21,500
Commissions from loans and advances	**4,717**	2,599
Trust and other commissions	**2,338**	2,228
	356,900	369,341
(d) Fee and commission expense		
Commissions on bills	**1,706**	1,713
Nominees, custodian and securities brokerage commissions paid	**7,720**	8,136
Commissions on retail banking	**9,663**	7,880
Fees on credit cards	**71**	75
Commissions on remittance	**47**	33
	19,207	17,837
Of which :		
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value		
- fee and commission income	**137,135**	138,239
- fee and commission expense	**1,777**	1,788
Net fee and commission income on trust and other fiduciary activities		
- fee and commission income	**9,717**	9,656

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

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

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

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
(a) Dividend income		
Dividend income from investment securities		
- listed investments	**-**	463
- unlisted investments	**34,500**	1,900
	34,500	2,363
(b) Net trading income		
Foreign exchange	**47,753**	43,635
Interest rate instruments	**(693)**	(2,728)
Equities	**5,104**	14,223
Other trading income	**1,975**	(7,410)
	54,139	47,720

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

(c) Other operating income		
Gross rental income from investment properties	**224**	237
Others	**34,673**	31,565
	34,897	31,802

The Group's direct operating expenses of HK$17,000 (six months ended 30th June 2013: Nil) arising from investment properties that generated rental income were included in operating expenses.

(d) Net earned insurance premium		
Insurance premium revenue	**30,038**	29,078
Insurance premium ceded to reinsurers	**(7,205)**	(7,524)
	22,833	21,554

The related net insurance claims incurred and movement in policyholders' liabilities of HK$10,945,000 (six months ended 30th June 2013: HK$9,835,000) were shown after being netted off with the insurance claims and loss adjustment expenses recovered from reinsurers of HK$881,000 (six months ended 30th June 2013: HK$154,000).

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

3 Operating expenses

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
Auditor's remuneration		
Statutory audit services	**3,441**	3,331
Non-statutory audit and other services (Note a)	**2,465**	3,017
Advertising costs	**10,777**	14,979
Depreciation expenses	**31,070**	27,089
Employee benefit expenses		
Wages and salaries and other costs (Note b)	**331,829**	319,982
Pension costs - defined contribution schemes	**24,616**	24,919
Pension costs - defined benefit schemes	**66**	21
Premises and equipment expense, excluding depreciation		
Rental of premises	**61,197**	53,173
Building expenses	**5,058**	2,665
Building management fee	**5,417**	5,282
Other operating expenses		
Computer rental and licence	**7,422**	6,837
Credit card business promotion	**12,519**	22,560
Credit card service fee	**5,245**	5,222
Insurance	**3,196**	2,511
Legal and consultancy	**987**	2,698
Postage	**6,916**	5,983
Printing and stationery	**4,762**	4,442
Repair and maintenance	**8,556**	8,235
Telephone and communications	**13,592**	13,465
Travelling and transportation	**2,841**	2,192
Water, heat and light	**7,190**	7,190
Others	**23,158**	20,388
	572,320	556,181

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

Note b: Employee benefit expenses include directors' emoluments. The number of employees of the Group as at 30th June 2014 was 1,661 (30th June 2013: 1,649).

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

4 Charge of impairment losses on loans and advances to customers

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
Trade bills	**240**	(182)
Loans and advances to customers	**(10,343)**	146
	(10,103)	(36)
Net charge of impairment losses		
- Individually assessed	**(3,123)**	17,935
- Collectively assessed	**(6,980)**	(17,971)
	(10,103)	(36)
Of which		
- new allowances	**(35,829)**	(28,258)
- releases	**22,287**	13,752
- recoveries	**3,439**	14,470
Net charge to income statement	**(10,103)**	(36)

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

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2013: 16.5%) on the estimated assessable profits for the six months period ended 30th June 2014. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months period ended 30th June 2014 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the income statement represents:

	Six months ended 30th June 2014 (unaudited) HK$'000	Six months ended 30th June 2013 (unaudited) HK$'000
Current income tax:		
- Hong Kong profits tax	**147,772**	155,794
- Overseas taxation	**72,058**	61,928
- (Over)/ under provisions in respect of prior years	**(4,282)**	19
Total current income tax	**215,548**	217,741
Deferred income tax:		
- Hong Kong deferred tax	**(332)**	(4,371)
- Overseas deferred tax	**8,763**	8,824
Total deferred income tax	**8,431**	4,453
Income tax expense	**223,979**	222,194

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

Profit before tax	**1,169,466**	1,110,584
Tax calculated at domestic tax rates applicable to profits in the respective countries	**239,292**	221,471
Tax effect of:		
Income not subject to tax	**(13,062)**	(5,985)
Expenses not deductible for tax purposes	**2,031**	6,929
Net effect of investments in partnerships	**-**	(240)
(Over)/ under provisions in respect of prior years	**(4,282)**	19
Tax expense	**223,979**	222,194

The income tax rate applicable to the majority of the Group and its subsidiaries' 2014 income is 16.5% (2013: 16.5%).

The Bank has entered into aircraft leverage lease arrangement, involving special purpose partnerships in which the Bank is the general partner. As at 30th June 2014, there was no unamortised carrying cost of the investments in such partnerships (31st December 2013: HK$491,837,000 included in 'Other assets'). The Bank's tax benefits in these special purpose partnerships are amortised over the life of the individual partnerships.

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

6 Cash and balances with banks

	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Cash in hand	**366,145**	482,083
Balances with central banks and Hong Kong Monetary Authority	**1,664,986**	3,910,582
Balances with banks	**22,122,979**	21,003,486
	24,154,110	25,396,151

As at 30th June 2014, there was HK$1,500,000 (31st December 2013: HK$1,500,000) deposited in the name of the Director of Accounting Services Treasury Hong Kong placed by a subsidiary company of the Bank to comply with the statutory requirement.

As at 30th June 2014, there were HK$260,282,000 (31st December 2013: HK$239,372,000) of statutory deposits with the central banks in the countries the Group is operating the business for the purpose of complying with the statutory requirements of the countries.

As at 30th June 2014, HK$74,067,000 (31st December 2013: HK$74,101,000) was deposited with designated banks in the People's Republic of China to comply with the local statutory requirement.

7 Placements with and loans and advances to banks

	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Placements with banks maturing between one and twelve months	**24,464,830**	21,986,595
Loans and advances to banks maturing between one and twelve months	**1,131,093**	1,280,370
	25,595,923	23,266,965

As at 30th June 2014, HK$131,199,000 (31st December 2013: HK$133,201,000) was deposited with designated banks in the People's Republic of China to comply with the local statutory requirement. No impairment allowances were necessary to be provided for the placements with and loans and advances to banks.

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

8 Loans and advances to customers

	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Loans and advances to individuals	**15,144,462**	14,693,667
Loans and advances to corporate entities	**50,014,702**	47,677,627
Gross loans and advances to customers	**65,159,164**	62,371,294
Less: impairment allowances		
- Individually assessed	**(31,546)**	(34,002)
- Collectively assessed	**(250,691)**	(244,087)
	64,876,927	62,093,205
Gross trade bills and other eligible bills, included within loans and advances to customers	**3,159,141**	2,745,362
Less: impairment allowances on trade bills		
- Collectively assessed	**(977)**	(1,217)
	3,158,164	2,744,145
Value of collateral for loans and advances which are individually assessed to be impaired	**566,739**	680,879
Gross impaired loans and advances	**281,584**	376,718
Percentage of impaired loans and advances to gross loans and advances	**0.43%**	0.60%

The Group accepted listed securities at fair value of HK$3,050,314,000 as at 30th June 2014 (31st December 2013: HK$3,608,160,000) as collateral for shares financing facilities. These securities are permitted to be sold or re-pledged in the event of default by the borrowers.

As at 30th June 2014, certain of the Bank's branches in the United States have pledged their real estate loans of HK$55,395,000 (31st December 2013: HK$56,785,000) to the State of California and with the Office of the Comptroller of the Currency in compliance with local regulatory requirements.

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

9 Derivative financial instruments and off-balance sheet exposures

(a) Contingent liabilities and commitments

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

	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Direct credit substitutes	**2,670,117**	2,599,397
Trade-related contingencies	**2,754,009**	3,271,159
Other commitments with an original maturity of:		
- under 1 year	**14,825,578**	4,180,027
- 1 year and over	**2,001,074**	2,937,364
- unconditionally cancellable	**35,981,780**	35,663,021
	58,232,558	48,650,968

The credit risk weighted amount of credit commitment is HK$4,792,627,000 (31st December 2013: HK$4,901,408,000).

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are therefore subject to the same credit origination, portfolio maintenance and collateral requirements as for customers applying for loans.

(b) Derivative financial instruments

		Fair values	
	Contract amount HK$'000	Assets HK$'000	Liabilities HK$'000
As at 30th June 2014 (unaudited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	**10,382,378**	**78,149**	**(63,667)**
Total recognised derivative assets/(liabilities)		**78,149**	**(63,667)**

		Fair values	
	Contract amount HK$'000	Assets HK$'000	Liabilities HK$'000
At 31st December 2013 (audited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	8,208,208	73,485	(61,805)
Total recognised derivative assets/(liabilities)		73,485	(61,805)

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

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

(b) Derivative financial instruments (Continued)

	Credit risk weighted amount	
	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Exchange rate contracts	**73,309**	68,292

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

The credit risk weighted amounts as at 30th June 2014 and 31st December 2013 are the amounts that have been calculated in accordance with the Banking (Capital) Rules.

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

The Group uses the following derivative strategies:

- Trading purposes (customer needs)

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

- Trading purposes (own account)

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

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

10 Properties and equipment

				Property under development		
	Leasehold land HK$'000	Bank premises HK$'000	Furniture, fittings and equipment HK$'000	Leasehold land HK$'000	Development cost HK$'000	Total HK$'000
As at 1st January 2013						
Cost	619,096	485,364	616,357	1,383,906	37,476	3,142,199
Accumulated depreciation	(76,157)	(211,550)	(506,875)	(8,293)	-	(802,875)
Net book amount	542,939	273,814	109,482	1,375,613	37,476	2,339,324
Year ended 31st December 2013						
Opening net book amount	542,939	273,814	109,482	1,375,613	37,476	2,339,324
Additions	14,472	-	37,948	-	49,316	101,736
Transfers from investment properties (Note 11)						
Cost	49,298	646	-	-	-	49,944
Accumulated depreciation	(94)	(538)	-	-	-	(632)
Transfers to investment properties (Note 11)						
Cost	(3,188)	(900)	-	-	-	(4,088)
Accumulated depreciation	198	172	-	-	-	370
Disposals / write-off						
Cost	-	-	(24,462)	-	-	(24,462)
Accumulated depreciation	-	-	23,907	-	-	23,907
Depreciation charge	(5,177)	(9,431)	(46,637)	(1,651)	-	(62,896)
Exchange rate adjustments	-	583	228	-	-	811
Closing net book amount	598,448	264,346	100,466	1,373,962	86,792	2,424,014
As at 31st December 2013 (audited)						
Cost	679,678	485,916	629,278	1,383,906	86,792	3,265,570
Accumulated depreciation	(81,230)	(221,570)	(528,812)	(9,944)	-	(841,556)
Net book amount	598,448	264,346	100,466	1,373,962	86,792	2,424,014
Six months ended 30th June 2014						
Opening net book amount	**598,448**	**264,346**	**100,466**	**1,373,962**	**86,792**	**2,424,014**
Additions	**46,723**	**-**	**13,567**	**-**	**60,774**	**121,064**
Transfers from investment properties (Note 11)						
Cost	**48,444**	**885**	**-**	**-**	**-**	**49,329**
Accumulated depreciation	**(137)**	**(775)**	**-**	**-**	**-**	**(912)**
Transfers to investment properties (Note 11)						
Cost	**(23)**	**(2,519)**	**-**	**-**	**-**	**(2,542)**
Accumulated depreciation	**6**	**944**	**-**	**-**	**-**	**950**
Disposals / write-off						
Cost	**-**	**-**	**(11,632)**	**-**	**-**	**(11,632)**
Accumulated depreciation	**-**	**-**	**11,509**	**-**	**-**	**11,509**
Depreciation charge	**(2,626)**	**(4,635)**	**(22,598)**	**(826)**	**-**	**(30,685)**
Exchange rate adjustments	**-**	**897**	**(127)**	**-**	**-**	**770**
Closing net book amount	**690,835**	**259,143**	**91,185**	**1,373,136**	**147,566**	**2,561,865**
As at 30th June 2014 (unaudited)						
Cost	**774,822**	**485,493**	**631,538**	**1,383,906**	**147,566**	**3,423,325**
Accumulated depreciation	**(83,987)**	**(226,350)**	**(540,353)**	**(10,770)**	**-**	**(861,460)**
Net book amount	**690,835**	**259,143**	**91,185**	**1,373,136**	**147,566**	**2,561,865**

Property under development represents the related costs paid as at 30th June 2014 and 31st December 2013 for the re-development of the Bank's new Head Office building in Central, Hong Kong.

As at 30th June 2014, interests in freehold land outside Hong Kong amounted to HK$38,436,000 (31st December 2013: HK$37,829,000) are included as bank premises above.

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

11 Investment properties

	Leasehold land HK$'000	Buildings HK$'000	Total HK$'000
As at 1st January 2013			
Cost	135,578	2,422	138,000
Accumulated depreciation	(154)	(701)	(855)
Net book amount	135,424	1,721	137,145
Year ended 31st December 2013			
Opening net book amount	135,424	1,721	137,145
Additions	2,155	-	2,155
Transfers to properties and equipment (Note 10)			
Cost	(49,298)	(646)	(49,944)
Accumulated depreciation	94	538	632
Transfers from properties and equipment (Note 10)			
Cost	3,188	900	4,088
Accumulated depreciation	(198)	(172)	(370)
Depreciation charge	(150)	(1,061)	(1,211)
Closing net book amount	91,215	1,280	92,495
As at 31st December 2013 (audited)			
Cost	91,623	2,676	94,299
Accumulated depreciation	(408)	(1,396)	(1,804)
Net book amount	91,215	1,280	92,495
Six months ended 30th June 2014			
Opening net book amount	**91,215**	**1,280**	**92,495**
Transfers to properties and equipment (Note 10)			
Cost	**(48,444)**	**(885)**	**(49,329)**
Accumulated depreciation	**137**	**775**	**912**
Transfers from properties and equipment (Note 10)			
Cost	**23**	**2,519**	**2,542**
Accumulated depreciation	**(6)**	**(944)**	**(950)**
Depreciation charge	**(64)**	**(321)**	**(385)**
Closing net book amount	**42,861**	**2,424**	**45,285**
As at 30th June 2014 (unaudited)			
Cost	**43,202**	**4,310**	**47,512**
Accumulated depreciation	**(341)**	**(1,886)**	**(2,227)**
Net book amount	**42,861**	**2,424**	**45,285**

12 Deposits from customers

	30th June 2014 (unaudited) HK$'000	31st December 2013 (audited) HK$'000
Demand deposits and current accounts	**10,823,824**	10,261,923
Savings deposits	**32,880,036**	32,526,203
Time, call and notice deposits	**72,287,264**	70,465,124
Deposits from Hong Kong Government Exchange Fund	**387,770**	387,943
	116,378,894	113,641,193

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

13 Deferred income tax

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

Deferred income tax assets	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Fair value losses on available-for-sale investments HK$'000	Others HK$'000	Total HK$'000
As at 1st January 2013	32,099	1,600	-	11,788	45,487
Credited/(charged) to income statement	2,732	(50)	-	2,057	4,739
Exchange differences	50	(1)	-	1	50
Reclassified from deferred income tax liabilities	-	-	154	-	154
As at 31st December 2013 (audited)	34,881	1,549	154	13,846	50,430
(Charged)/credited to income statement	**2,843**	**(156)**	**-**	**(11,450)**	**(8,763)**
Credited to equity	**-**	**-**	**27**	**-**	**27**
Exchange differences	**22**	**(4)**	**-**	**(6)**	**12**
As at 30th June 2014 (unaudited)	**37,746**	**1,389**	**181**	**2,390**	**41,706**

Deferred income tax liabilities	Impairment allowances HK$'000	Accelerated tax depreciation HK$'000	Fair value gains on available-for-sale investments HK$'000	Others HK$'000	Total HK$'000
As at 1st January 2013	28,246	(10,546)	(221,291)	(1,819)	(205,410)
Credited/(charged) to income statement	3,968	243	75	(40)	4,246
Charged to equity	-	-	(39,824)	-	(39,824)
Reclassified to current income tax liabilities	-	-	-	599	599
Reclassified to deferred income tax assets	-	-	(154)	-	(154)
As at 31st December 2013 (audited)	32,214	(10,303)	(261,194)	(1,260)	(240,543)
Credited/(charged) to income statement	**(942)**	**1,274**	**-**	**-**	**332**
Charged to equity	**-**	**-**	**(7,239)**	**-**	**(7,239)**
Reclassified to current income tax liabilities	**-**	**-**	**-**	**1,260**	**1,260**
As at 30th June 2014 (unaudited)	**31,272**	**(9,029)**	**(268,433)**	**-**	**(246,190)**

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

14 Other reserves

	Regulatory reserve (Note) HK$'000	Available-for-sale investment revaluation reserve HK$'000	General reserve HK$'000	Total HK$'000
Balance as at 1st January 2013	490,741	1,118,210	7,356,317	8,965,268
Change in fair value of available-for-sale investments	-	415,800	-	415,800
Realised on disposal of available-for-sale investments	-	(174,840)	-	(174,840)
Effect of deferred taxation	-	(39,886)	-	(39,886)
Currency translation differences	845	780	15,265	16,890
Share of investment revaluation reserve of joint ventures	-	(101)	-	(101)
Transfer from retained earnings	7,986	1,104	-	9,090
Balance as at 31st December 2013 (audited)	499,572	1,321,067	7,371,582	9,192,221
Balance as at 1st January 2014	**499,572**	**1,321,067**	**7,371,582**	**9,192,221**
Change in fair value of available-for-sale investments	**-**	**70,243**	**-**	**70,243**
Realised on disposal of available-for-sale investments	**-**	**(27,580)**	**-**	**(27,580)**
Effect of deferred taxation	**-**	**(7,223)**	**-**	**(7,223)**
Currency translation differences	**(956)**	**1,113**	**(12,481)**	**(12,324)**
Share of investment revaluation reserve of joint ventures	**-**	**537**	**-**	**537**
Balance as at 30th June 2014 (unaudited)	**498,616**	**1,358,157**	**7,359,101**	**9,215,874**

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1 Liquidity ratio

	30th June 2014	30th June 2013
Liquidity ratio	**45.8%**	58.0%

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

2 Non-bank mainland exposures

The Bank **As at 30th June 2014**	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total HK$'000	Individually assessed impairment allowances HK$'000
Types of counterparties				
Mainland entities	**3,835,667**	**657,700**	**4,493,367**	**-**
Companies and individuals outside Mainland where the credit is granted for use in Mainland	**3,280,868**	**1,425,636**	**4,706,504**	**2,237**
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposures	**848,938**	**8,119**	**857,057**	**-**
	7,965,473	**2,091,455**	**10,056,928**	**2,237**

The Bank As at 31st December 2013	On-balance sheet exposures HK$'000	Off-balance sheet exposures HK$'000	Total HK$'000	Individually assessed impairment allowances HK$'000
Types of counterparties				
Mainland entities	3,028,394	558,525	3,586,919	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,922,465	265,574	3,188,039	2,250
Other counterparties the exposure to whom are considered by the Group to be non-bank Mainland exposures	175,232	555,566	730,798	-
	6,126,091	1,379,665	7,505,756	2,250

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

3 Currency concentrations

The Group **As at 30th June 2014**	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000	Net structural position HK$'000
Equivalent in Hong Kong dollars						
US Dollars	**50,544,000**	**(43,663,000)**	**5,411,000**	**(6,739,000)**	**5,553,000**	**4,841,000**
Pound Sterling	**2,611,000**	**(2,639,000)**	**69,000**	**(24,000)**	**17,000**	**10,000**
Renminbi	**18,258,000**	**(17,882,000)**	**3,061,000**	**(2,671,000)**	**766,000**	**225,000**
Canadian Dollars	**1,617,000**	**(1,630,000)**	**30,000**	**(19,000)**	**(2,000)**	**-**
Australian Dollars	**5,622,000**	**(5,604,000)**	**933,000**	**(909,000)**	**42,000**	**-**
Other currencies and gold	**2,457,000**	**(2,589,000)**	**876,000**	**(728,000)**	**16,000**	**-**
	81,109,000	**(74,007,000)**	**10,380,000**	**(11,090,000)**	**6,392,000**	**5,076,000**

The Group As at 31st December 2013	Spot assets HK$'000	Spot liabilities HK$'000	Forward purchases HK$'000	Forward sales HK$'000	Net long / (short) position HK$'000	Net structural position HK$'000
Equivalent in Hong Kong dollars						
US Dollars	45,450,000	(40,912,000)	7,101,000	(7,827,000)	3,812,000	4,802,000
Pound Sterling	2,316,000	(2,341,000)	57,000	(22,000)	10,000	13,000
Renminbi	19,364,000	(18,103,000)	2,236,000	(2,403,000)	1,094,000	207,000
Canadian Dollars	1,805,000	(1,818,000)	30,000	(15,000)	2,000	-
Australian Dollars	5,752,000	(5,730,000)	944,000	(955,000)	11,000	-
Other currencies and gold	2,288,000	(2,339,000)	894,000	(805,000)	38,000	-
	76,975,000	(71,243,000)	11,262,000	(12,027,000)	4,967,000	5,022,000

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

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4 Loans and advances to customers

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

The Group	**30th June 2014**		31st December 2013	
	Gross loans and advances HK$'000	**Amount covered by collateral HK$'000**	Gross loans and advances HK$'000	Amount covered by collateral HK$'000
Loans for use in Hong Kong				
- Industrial, commercial and financial				
- Property development	**2,194,236**	**1,142,546**	2,603,967	1,341,451
- Property investment	**10,166,093**	**9,905,673**	10,291,052	10,041,870
- Financial concerns	**954,693**	**933,135**	714,975	699,951
- Stockbrokers	**76,229**	**76,089**	64,482	64,358
- Wholesale and retail trade	**1,181,550**	**1,017,783**	1,911,686	1,483,150
- Manufacturing	**2,294,506**	**1,478,663**	2,222,145	1,391,868
- Transport and transport equipment	**720,622**	**509,639**	732,549	485,394
- Recreational activities	**295,471**	**233,763**	304,643	221,216
- Information technology - telecommunication	**6,876**	**6,474**	8,530	7,867
- Hotels, boarding houses and catering	**957,946**	**941,377**	943,132	931,241
- Others	**4,587,618**	**4,005,045**	4,605,761	3,873,208
- 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	**173,562**	**173,013**	188,808	188,117
- Loans for the purchase of other residential properties	**4,213,766**	**4,204,238**	4,135,841	4,124,506
- Credit card advances	**210,966**	**-**	248,938	-
- Others	**6,404,811**	**5,982,569**	6,258,663	5,780,500
Trade finance	**7,635,993**	**5,589,147**	6,996,690	5,083,431
Loans for use outside Hong Kong	**19,925,085**	**18,003,370**	17,394,070	15,744,528
	62,000,023	**54,202,524**	59,625,932	51,462,656

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

4 Loans and advances to customers (Continued)

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

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

The Group	**30th June 2014**			
	Impaired loans and advances HK$'000	**Overdue loans and advances HK$'000**	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Industrial, commercial and financial - Property investment	**5,854**	**135,598**	**23**	**40,641**

The Group	31st December 2013			
	Impaired loans and advances HK$'000	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Industrial, commercial and financial - Property investment	14,066	98,347	56	41,108

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

5 Loans and advances overdue for more than 3 months

(a) Gross amount of overdue loans and advances

The Group	**30th June 2014**		31st December 2013	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Gross loans and advances which have been overdue for:				
- six months or less but over three months	**32,551**	**0.05**	40,574	0.07
- one year or less but over six months	**29,828**	**0.05**	7,176	0.01
- over one year	**58,629**	**0.09**	144,793	0.23
	121,008	**0.19**	192,543	0.31

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

The Group	**30th June 2014**	31st December 2013
	Overdue loans and advances HK$'000	Overdue loans and advances HK$'000
Outstanding amount	**121,008**	192,543
Current market value of collateral	**217,802**	279,068
Covered portion by collateral	**97,932**	170,704
Uncovered portion by collateral	**23,076**	21,839
Individually assessed impairment allowances	**24,948**	30,316

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

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

The Group	**30th June 2014**		31st December 2013	
	HK$'000	**% of gross loans and advances to customers**	HK$'000	% of gross loans and advances to customers
Rescheduled loans and advances	**9,229**	**0.01**	14,189	0.02

(d) Repossessed assets

During the period, the Group had obtained a residential property with carrying amount of HK$7,500,000 (31st December 2013: Nil) by taking possession of collateral held as security. As at 30th June 2014, the fair value of the repossessed asset amounted to HK$8,493,000.

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

The Group	**30th June 2014**		
	Individually assessed impaired loans and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**154,536**	**31,041**	**-**
Asia Pacific excluding Hong Kong	**3,316**	**13**	**-**
North America	**123,732**	**492**	**-**
	281,584	**31,546**	**-**

The Group	**30th June 2014**		
	Overdue loans and advances HK$'000	**Individual impairment allowances HK$'000**	**Collective impairment allowances HK$'000**
Hong Kong	**772,908**	**27,760**	**2,828**
Asia Pacific excluding Hong Kong	**231,601**	**13**	**914**
North America	**622,052**	**492**	**2,001**
Western Europe	**13,053**	**-**	**52**
	1,639,614	**28,265**	**5,795**

The Group	31st December 2013		
	Individually assessed impaired loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	161,107	27,273	-
Asia Pacific excluding Hong Kong	3,316	13	-
North America	212,295	6,716	-
	376,718	34,002	-

The Group	31st December 2013		
	Overdue loans and advances HK$'000	Individual impairment allowances HK$'000	Collective impairment allowances HK$'000
Hong Kong	774,736	24,700	3,297
Asia Pacific excluding Hong Kong	85,067	13	327
North America	686,403	6,245	2,375
Western Europe	24,955	-	100
	1,571,161	30,958	6,099

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

7 Cross-border claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk.

The Group **As at 30th June 2014**	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	**62,971,000**	**124,000**	**4,166,000**	**67,261,000**
North America	**1,258,000**	**222,000**	**253,000**	**1,733,000**
Western Europe	**359,000**	**-**	**262,000**	**621,000**

The Group As at 31st December 2013	Banks and other financial institutions HK$'000	Public sector entities HK$'000	Others HK$'000	Total HK$'000
Asia Pacific excluding Hong Kong	49,281,000	138,000	3,476,000	52,895,000
North America	3,608,000	177,000	258,000	4,043,000
Western Europe	579,000	-	272,000	851,000

8 Gross loans and advances to customers by geographical segments

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

The Group	**30th June 2014** **HK$'000**	31st December 2013 HK$'000
Hong Kong	**47,182,979**	47,254,404
Asia Pacific excluding Hong Kong	**4,431,527**	3,213,690
North and South America	**13,103,158**	11,518,129
Middle East and Africa	**154**	-
Europe	**441,346**	385,071
	65,159,164	62,371,294

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy

The calculation of the capital adequacy ratios as at 30th June 2014 and 31st December 2013 is based on the Banking (Capital) Rules ("BCR") effective from 1st January 2013. The capital adequacy ratios represent the consolidated ratios of the Bank, Shacom Property (CA) Inc., Shacom Property (NY) Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Investments Limited, Silver Wisdom Investments Limited and Shacom Insurance Brokers Limited computed in accordance with Section 3C(1) of the BCR.

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of consolidation respectively as at 30th June 2014.

	Balance sheet as in published financial statements As at 30th June 2014 HK$'000	Under regulatory scope of consolidation As at 30th June 2014 HK$'000
Assets		
Cash and balances with banks	**24,154,110**	**24,151,783**
Placements with and loans and advances to banks	**25,595,923**	**25,595,923**
Loans and advances to customers	**64,876,927**	**64,876,927**
Financial assets held for trading	**397,794**	**380,592**
Derivative financial instruments	**78,149**	**78,149**
Investment securities:		
- Available-for-sale	**24,944,650**	**24,830,565**
- Held-to-maturity	**2,485,941**	**2,485,941**
Investments in joint ventures	**250,303**	**116,000**
Investments in and amounts due from subsidiary companies	**-**	**184,039**
Properties and equipment	**2,561,865**	**2,538,806**
Investment properties	**45,285**	**73,985**
Deferred income tax assets	**41,706**	**41,525**
Other assets	**740,186**	**955,245**
Total assets	**146,172,839**	**146,309,480**
Liabilities		
Deposits and balances from banks	**7,434,371**	**7,434,371**
Deposits from customers	**116,378,894**	**116,378,894**
Derivatives financial instruments	**63,667**	**63,667**
Amounts due to subsidiary companies	**-**	**278,559**
Other liabilities	**1,173,428**	**1,319,707**
Provisions	**71,994**	**71,089**
Current income tax liabilities	**218,545**	**216,390**
Deferred income tax liabilities	**246,190**	**246,169**
Total liabilities	**125,587,089**	**126,008,846**
Equity		
Share capital	**2,000,000**	**2,000,000**
Retained earnings	**9,304,193**	**9,084,630**
Other reserves	**9,215,874**	**9,216,004**
Non-controlling interests	**65,683**	**-**
Total equity	**20,585,750**	**20,300,634**
Total equity and liabilities	**146,172,839**	**146,309,480**

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The table below shows the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Capital Disclosures Template as at 30th June 2014.

	Balance sheet as in published financial statements As at 30th June 2014 HK$'000	Under regulatory scope of consolidation As at 30th June 2014 HK$'000	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks	**24,154,110**	**24,151,783**	
Placements with and loans and advances to banks	**25,595,923**	**25,595,923**	
Loans and advances to customers	**64,876,927**	**64,876,927**	
of which: collective impairment allowances reflected in regulatory capital		***250,691***	(1)
Financial assets held for trading	**397,794**	**380,592**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***9,585***	(2)
Derivative financial instruments	**78,149**	**78,149**	
Investment securities:			
- Available-for-sale	**24,944,650**	**24,830,565**	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		***570,912***	(3)
- Held-to-maturity	**2,485,941**	**2,485,941**	
Investments in joint ventures	**250,303**	**116,000**	
Investments in and amounts due from subsidiary companies	**-**	**184,039**	
Properties and equipment	**2,561,865**	**2,538,806**	
Investment properties	**45,285**	**73,985**	
Deferred income tax assets	**41,706**	**41,525**	(4)
Other assets	**740,186**	**955,245**	
Total assets	**146,172,839**	**146,309,480**	
Liabilities			
Deposits and balances from banks	**7,434,371**	**7,434,371**	
Deposits from customers	**116,378,894**	**116,378,894**	
Derivatives financial instruments	**63,667**	**63,667**	
Amounts due to subsidiary companies	**-**	**278,559**	
Other liabilities	**1,173,428**	**1,319,707**	
Provisions	**71,994**	**71,089**	
Current income tax liabilities	**218,545**	**216,390**	
Deferred income tax liabilities	**246,190**	**246,169**	
Total liabilities	**125,587,089**	**126,008,846**	
Equity			
Share capital	**2,000,000**	**2,000,000**	
of which: paid-in share capital		***2,000,000***	(5)
Retained earnings	**9,304,193**	**9,084,630**	
of which: retained earnings		***9,084,630***	(6)
Other reserves	**9,215,874**	**9,216,004**	
of which: accumulated other comprehensive income (loss), other than regulatory reserve		***8,717,388***	(7)
regulatory reserve		***498,616***	(8)
Non-controlling interests	**65,683**	**-**	
Total equity	**20,585,750**	**20,300,634**	
Total equity and liabilities	**146,172,839**	**146,309,480**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 30th June 2014 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves			
		HK$'000	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	9,084,630	(6)
3	Disclosed reserves	9,216,004	(7) + (8)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**20,300,634**	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets net of deferred tax liabilities	41,525	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Gain-on-sale arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	504,783	(2) + (3) - (9)
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	498,616	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: regulatory deductions (Continued)			
		HK$'000	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**1,044,924**	
29	**CET1 capital**	**19,255,710**	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-	
36	**AT1 capital before regulatory deductions**	**-**	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	**-**	
44	**AT1 capital**	**-**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**19,255,710**	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	749,307	(1) + (8)
51	**Tier 2 capital before regulatory deductions**	**749,307**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Tier 2 capital: regulatory deductions			
		HK$'000	
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	75,714	(9)
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57	**Total regulatory deductions to Tier 2 capital**	**75,714**	
58	**Tier 2 capital**	**673,593**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**19,929,303**	
60	**Total risk weighted assets**	**104,973,654**	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	18.34%	
62	Tier 1 capital ratio	18.34%	
63	Total capital ratio	18.99%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	of which: capital conservation buffer requirement	0.00%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB and D-SIB buffer requirement	0.00%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	13.84%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,976,049	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	394,198	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2 capital			
		HK$'000	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	749,307	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	1,222,003	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

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

Row No.	Description	Hong Kong basis	Basel III basis
		HK$'000	HK$'000
10	**Deferred tax assets net of deferred tax liabilities ('DTA')**	**41,525**	**-**
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an authorised institution is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 10 (i.e. the amount reported under the 'Hong Kong basis') adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for mortgage servicing rights, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
Remarks: The amount of the 10%/ 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.			

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of consolidation respectively as at 31st December 2013.

	Balance sheet as in published financial statements 31st December 2013 HK$'000	Under regulatory scope of consolidation 31st December 2013 HK$'000
Assets		
Cash and balances with banks	25,396,151	25,396,105
Placements with and loans and advances to banks	23,266,965	23,266,965
Loans and advances to customers	62,093,205	62,093,205
Financial assets held for trading	368,882	353,028
Derivative financial instruments	73,485	73,485
Investment securities:		
- Available-for-sale	25,472,136	25,356,844
- Held-to-maturity	2,484,874	2,480,890
Investments in joint ventures	234,456	116,000
Investments in and amounts due from subsidiary companies	-	184,449
Properties and equipment	2,424,014	2,401,437
Investment properties	92,495	121,368
Deferred income tax assets	50,430	50,276
Other assets	1,113,762	639,102
Total assets	143,070,855	142,533,154
Liabilities		
Deposits and balances from banks	7,108,798	7,108,798
Deposits from customers	113,641,193	113,641,193
Derivatives financial instruments	61,805	61,805
Amounts due to subsidiary companies	-	248,564
Other liabilities	1,282,470	761,542
Provisions	93,064	92,270
Current income tax liabilities	141,000	140,763
Deferred income tax liabilities	240,543	240,522
Total liabilities	122,568,873	122,295,457
Equity		
Share capital	2,000,000	2,000,000
Retained earnings	9,245,499	9,044,823
Other reserves	9,192,221	9,192,874
Non-controlling interests	64,262	-
Total equity	20,501,982	20,237,697
Total equity and liabilities	143,070,855	142,533,154

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The table below shows the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Capital Disclosures Template as at 31st December 2013.

	Balance sheet as in published financial statements 31st December 2013 HK$'000	Under regulatory scope of consolidation 31st December 2013 HK$'000	Cross reference to Definition of Capital Components
Assets			
Cash and balances with banks	25,396,151	25,396,105	
Placements with and loans and advances to banks	23,266,965	23,266,965	
Loans and advances to customers	62,093,205	62,093,205	
of which: collective impairment allowances reflected in regulatory capital		*244,088*	(1)
Financial assets held for trading	368,882	353,028	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		*6,509*	(2)
Derivative financial instruments	73,485	73,485	
Investment securities:			
- Available-for-sale	25,472,136	25,356,844	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold		*704,539*	(3)
- Held-to-maturity	2,484,874	2,480,890	
Investments in joint ventures	234,456	116,000	
Investments in and amounts due from subsidiary companies	-	184,449	
Properties and equipment	2,424,014	2,401,437	
Investment properties	92,495	121,368	
Deferred income tax assets	50,430	50,276	(4)
Other assets	1,113,762	639,102	
Total assets	143,070,855	142,533,154	
Liabilities			
Deposits and balances from banks	7,108,798	7,108,798	
Deposits from customers	113,641,193	113,641,193	
Derivatives financial instruments	61,805	61,805	
Amounts due to subsidiary companies	-	248,564	
Other liabilities	1,282,470	761,542	
Provisions	93,064	92,270	
Current income tax liabilities	141,000	140,763	
Deferred income tax liabilities	240,543	240,522	
Total liabilities	122,568,873	122,295,457	
Equity			
Share capital	2,000,000	2,000,000	
of which: paid-in share capital		*2,000,000*	(5)
Retained earnings	9,245,499	9,044,823	
of which: retained earnings		*9,044,823*	(6)
Other reserves	9,192,221	9,192,874	
of which: accumulated other comprehensive income (loss), other than regulatory reserve		*8,693,302*	(7)
regulatory reserve		*499,572*	(8)
Non-controlling interests	64,262	-	
Total equity	20,501,982	20,237,697	
Total equity and liabilities	143,070,855	142,533,154	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 31st December 2013 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves			
		HK$'000	
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	9,044,823	(6)
3	Disclosed reserves	9,192,874	(7) + (8)
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	**20,237,697**	
CET1 capital: regulatory deductions			
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets net of deferred tax liabilities	50,276	(4)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Gain-on-sale arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	594,463	(2) + (3) - (9)
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	499,572	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: regulatory deductions (Continued)			
		HK$'000	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	**1,144,311**	
29	**CET1 capital**	**19,093,386**	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Capital instruments subject to phase out arrangements from AT1 capital	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-	
36	**AT1 capital before regulatory deductions**	**-**	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	**-**	
44	**AT1 capital**	**-**	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**19,093,386**	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	743,660	(1) + (8)
51	**Tier 2 capital before regulatory deductions**	**743,660**	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Tier 2 capital: regulatory deductions			
		HK$'000	
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	116,585	(9)
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57	**Total regulatory deductions to Tier 2 capital**	**116,585**	
58	**Tier 2 capital**	**627,075**	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	**19,720,461**	
60	**Total risk weighted assets**	**100,733,469**	
Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	18.95%	
62	Tier 1 capital ratio	18.95%	
63	Total capital ratio	19.58%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	of which: capital conservation buffer requirement	0.00%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB and D-SIB buffer requirement	0.00%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	14.45%	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	1,968,785	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	392,778	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2 capital			
		HK$'000	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	743,660	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	1,167,086	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	

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

Row No.	Description	Hong Kong basis	Basel III basis
		HK$'000	HK$'000
10	**Deferred tax assets net of deferred tax liabilities ('DTA')**	**50,276**	**-**
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an authorised institution is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column 'Basel III basis' in this box represents the amount reported in row 10 (i.e. the amount reported under the 'Hong Kong basis') adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for mortgage servicing rights, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.		
Remarks: The amount of the 10%/ 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.			

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

APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

9 Capital structure and adequacy (Continued)

The Main Features Template as at 30th June 2014 and 31st December 2013 is shown below:

1	Issuer	Shanghai Commercial Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Laws of Hong Kong
	Regulatory treatment	
4	Transitional Basel III rules[#]	NA
5	Post-transitional Basel III rules[+]	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$2,000
9	Par value of instrument	NA (31st December 2013: HK$100 each)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1951, 1968, 1969 ,1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Footnote:

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

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

* Include solo-consolidated

NA Not applicable

REVIEW OF OPERATIONS

For the first six months of 2014, Shanghai Commercial Bank Limited (the 'Bank') reported a consolidated profit after tax of HK$945.5 million, an increase of HK$57.1 million or 6.4%, as compared with the same period last year. During this period, the Bank's net interest income improved by 15.1% but net fee and commission income from retail sales declined by 3.9%. The overall loan-to-deposit ratio increased to 56.0% versus that of 54.9% at the end of 2013, as total deposits increased by 2.4% to HK$116.4 billion and gross loans and advances increased by 4.5% to HK$65.2 billion. The net interest margin, in the first half of 2014, averaged 1.80% which was 17 basis points higher than the 1.63% for the same period last year and 12 basis points better than the 2013 yearly average of 1.68%. The cost-to-income ratio at 33.0%, however, was lower than the previous yearly average of 34.1%.

The total comprehensive income attributable to equity holders of the Bank, in the first half of 2014, at HK$962.3 million, was HK$331.1 million or 52.5% higher than the same period last year. Total assets at HK$146.2 billion and shareholders' funds at HK$20.5 billion were 2.2% and 0.4% higher as compared with the year end of 2013. The Bank's average liquidity ratio and capital adequacy ratio at 45.8% and 19.0% respectively, were both at comfortable levels.

During this period, the Bank saw its net interest income and net interest margin improved, due to better yield from interbank placements and corporate advances. In the second half of the year, the Bank will continue to invest in technology to expand the delivery channels, broaden its product range, improve its services and strengthen the manpower resources in order to provide personalized and tailored made solutions to our new and existing customers.

The Head Office redevelopment project is progressing on course with expected occupancy by mid 2016. Meanwhile, the Bank will continue to look for opportunities to better utilize the properties it owns, improve its branding image and income source.

STATEMENT OF COMPLIANCE

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

Lincoln Chu Kuen Yung
Chairman

David Sek-Chi Kwok
Managing Director & Chief Executive