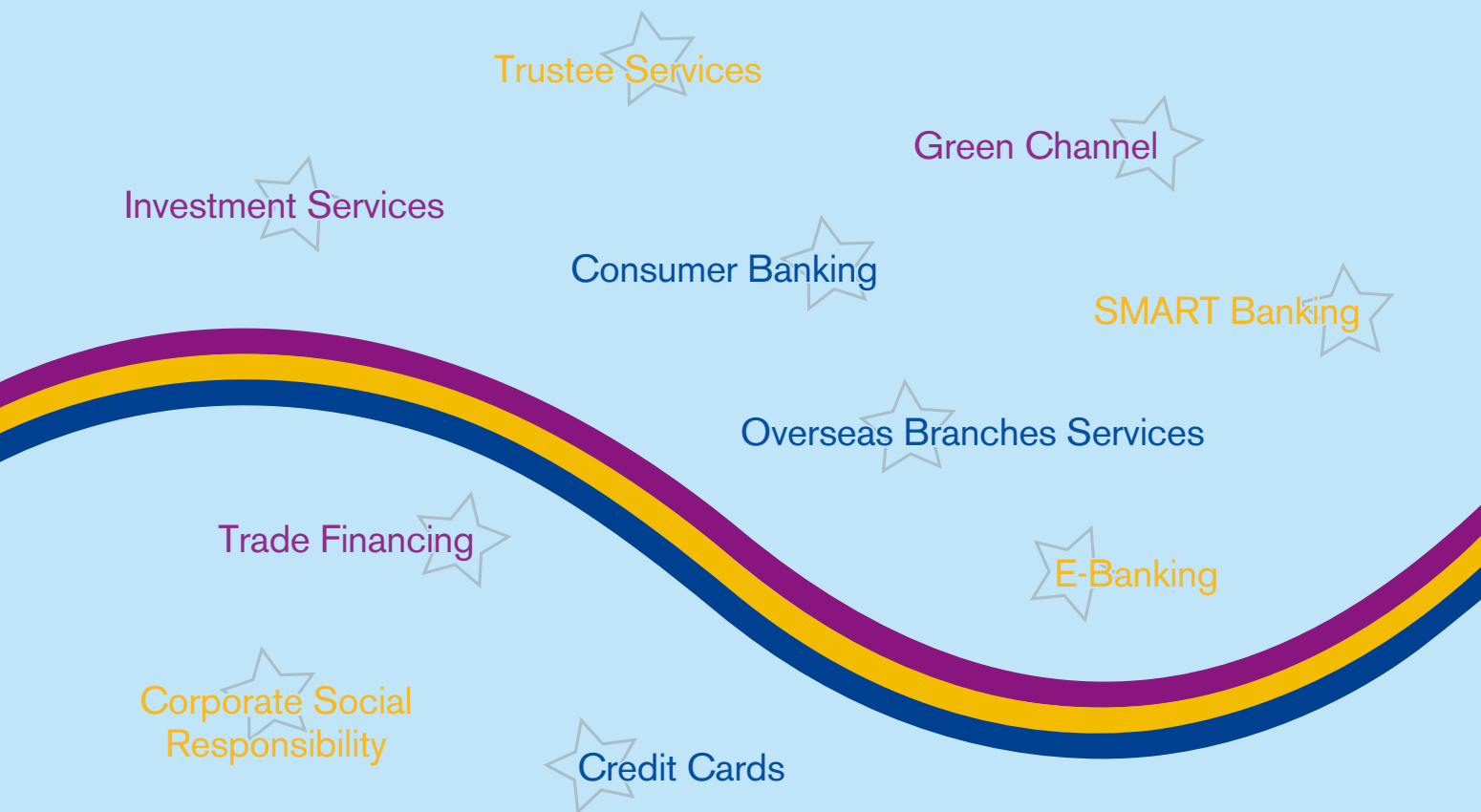




上海商業銀行  
SHANGHAI COMMERCIAL BANK

2015

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 30TH JUNE 2015

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## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Interest income	6	1,861,350	1,777,171
Interest expense	6	(610,520)	(544,215)
<b>Net interest income</b>		<b>1,250,830</b>	1,232,956
Fee and commission income	7	457,861	356,900
Fee and commission expense	7	(21,881)	(19,207)
<b>Net fee and commission income</b>		<b>435,980</b>	337,693
Dividend income	8	42,858	34,500
Net trading income	9	69,930	54,139
Net gains from disposal of equipment		–	26
Net gains from disposal of available-for-sale investments		28,626	27,580
Other operating income	10	36,278	34,897
Net earned insurance premium	11	23,432	22,833
Net insurance claims incurred and movement in policyholders' liabilities	11	(10,588)	(10,945)
Operating expenses	12	(630,406)	(572,320)
Charge of impairment losses on loans and advances to customers	13	(8,929)	(10,103)
<b>Operating profit</b>		<b>1,238,011</b>	1,151,256
Share of net profits of joint ventures		40,905	18,210
<b>Profit before income tax</b>		<b>1,278,916</b>	1,169,466
Income tax expense	14	(246,377)	(223,979)
<b>Profit for the period</b>		<b>1,032,539</b>	945,487
<b>Attributable to:</b>			
Equity holders of the Bank		1,030,396	943,612
Non-controlling interests		2,143	1,875
		<b>1,032,539</b>	945,487

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
<b>Profit for the period</b>	<b>1,032,539</b>	945,487
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
<b>Exchange differences on translation of foreign operations</b>	<b>1,710</b>	(18,355)
<b>Net gains/(losses) on available-for-sale investments</b>		
Fair value changes on available-for-sale investments taken to equity	549,794	70,178
Exchange differences on translation of available-for-sale investments	(2,479)	1,113
Fair value changes transferred to income statement on disposal of available-for-sale investments	(28,626)	(27,580)
Deferred income tax	(85,176)	(7,212)
<b>Share of investment revaluation reserve of joint ventures</b>	<b>2,222</b>	537
<b>Other comprehensive income for the period</b>	<b>437,445</b>	18,681
<b>Total comprehensive income for the period</b>	<b>1,469,984</b>	964,168
<b>Attributable to:</b>		
Equity holders of the Bank	1,467,437	962,347
Non-controlling interests	2,547	1,821
	<b>1,469,984</b>	964,168

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30th June 2015 (unaudited)	31st December 2014 (audited)
<b>ASSETS</b>			
Cash and balances with banks	15	29,940,070	29,103,861
Placements with and loans and advances to banks	16	24,841,153	23,720,240
Loans and advances to customers	17	66,721,221	67,168,827
Financial assets held for trading		445,156	420,760
Derivative financial instruments	18	114,338	102,243
Available-for-sale investments		30,801,736	25,273,309
Held-to-maturity investments		2,459,658	2,465,840
Investments in joint ventures		298,805	259,628
Properties and equipment	19	3,480,713	2,657,913
Investment properties	20	5,122	5,178
Deferred income tax assets	23	41,851	44,120
Other assets		2,308,330	1,246,594
<b>TOTAL ASSETS</b>		<b>161,458,153</b>	<b>152,468,513</b>
<b>LIABILITIES</b>			
Deposits and balances from banks		5,384,103	7,318,807
Deposits from customers	21	130,357,639	121,393,482
Derivative financial instruments	18	86,383	82,527
Other liabilities		2,715,782	1,453,624
Provisions		74,662	95,132
Current income tax liabilities		192,260	92,199
Deferred income tax liabilities	23	374,172	289,174
<b>TOTAL LIABILITIES</b>		<b>139,185,001</b>	<b>130,724,945</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS</b>			
Share capital		2,000,000	2,000,000
Retained earnings		10,147,943	10,058,664
Other reserves	24	10,058,668	9,620,510
		<b>22,206,611</b>	<b>21,679,174</b>
<b>Non-controlling interests in equity</b>		<b>66,541</b>	<b>64,394</b>
<b>TOTAL EQUITY</b>		<b>22,273,152</b>	<b>21,743,568</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>161,458,153</b>	<b>152,468,513</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings (including proposed dividends)		
<b>As at 1st January 2014</b>	<u>2,000,000</u>	<u>9,192,221</u>	<u>9,245,499</u>	<u>64,262</u>	<u>20,501,982</u>
Profit for the period	-	-	943,612	1,875	945,487
<b>Other comprehensive income</b>					
Fair value changes on available-for-sale investments taken to equity, net of tax	-	63,020	-	(54)	62,966
Currency translation differences	-	(12,324)	(4,918)	-	(17,242)
Share of investments revaluation reserve of joint ventures	-	537	-	-	537
Realised on disposal of available-for-sale investments	-	(27,580)	-	-	(27,580)
<b>Total other comprehensive income</b>	-	23,653	(4,918)	(54)	18,681
Payment of dividend relating to 2013	-	-	(880,000)	(400)	(880,400)
<b>As at 30th June 2014 (unaudited)</b>	<u>2,000,000</u>	<u>9,215,874</u>	<u>9,304,193</u>	<u>65,683</u>	<u>20,585,750</u>
<b>As at 1st January 2015</b>	<u>2,000,000</u>	<u>9,620,510</u>	<u>10,058,664</u>	<u>64,394</u>	<u>21,743,568</u>
Profit for the period	-	-	1,030,396	2,143	1,032,539
<b>Other comprehensive income</b>					
Fair value changes on available-for-sale investments taken to equity, net of tax	-	464,214	-	404	464,618
Currency translation differences	-	348	(1,117)	-	(769)
Share of investments revaluation reserve of joint ventures	-	2,222	-	-	2,222
Realised on disposal of available-for-sale investments	-	(28,626)	-	-	(28,626)
<b>Total other comprehensive income</b>	-	438,158	(1,117)	404	437,445
Payment of dividend relating to 2014	-	-	(940,000)	(400)	(940,400)
<b>As at 30th June 2015 (unaudited)</b>	<u>2,000,000</u>	<u>10,058,668</u>	<u>10,147,943</u>	<u>66,541</u>	<u>22,273,152</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Note	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	1,278,916	1,169,466
Share of net profits of joint ventures	(40,905)	(18,210)
Charge of impairment losses on loans and advances to customers	8,929	10,103
Depreciation expenses	35,151	31,070
Net gains from disposal of equipment	-	(26)
Net gains from disposal of available-for-sale investments	(28,626)	(27,580)
Amortisation of held-to-maturity and available-for-sale investments	16,762	24,396
Interest income on held-to-maturity and available-for-sale investments	(330,803)	(329,393)
Dividend income	(42,858)	(34,500)
Other income	(741)	-
Hong Kong profits tax paid	(50,749)	(65,341)
Overseas tax paid	(108,003)	(89,578)
	<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets and liabilities	737,073	670,407
	<hr/>	<hr/>
Changes in operating assets and liabilities:		
- Net decrease in cash and balances with banks with original maturity beyond three months	347,023	1,019,129
- Net increase in placements with and loans and advances to banks with original maturity beyond three months	(551,784)	(3,460,665)
- Net increase in financial assets held for trading	(24,396)	(28,912)
- Net increase in derivative financial instruments	(8,239)	(2,802)
- Net decrease/(increase) in loans and advances to customers	438,626	(2,793,449)
- Net (increase)/decrease in other assets	(1,044,771)	389,262
- Net (decrease)/increase in deposits and balances from banks	(1,934,704)	325,573
- Net increase in deposits from customers	8,964,157	2,737,701
- Net increase/(decrease) in other liabilities and provisions	1,241,662	(130,112)
	<hr/>	<hr/>
Net cash flows from operating activities	8,164,647	(1,273,868)
	<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	25(a)	(722,560)	-
Interest received on held-to-maturity and available-for-sale investments		326,742	359,871
Dividends received on available-for-sale investments		42,858	34,500
Dividends received from joint ventures		3,950	2,900
Purchases of properties and equipment		(136,896)	(121,064)
Proceeds from sale of equipment		20	149
Purchases of available-for-sale investments		(9,156,445)	(3,269,576)
Purchases of held-to-maturity investments		(506,281)	(426,002)
Proceeds from sale and redemption of available-for-sale investments		3,968,197	3,975,733
Proceeds from redemption of held-to-maturity investments		508,264	419,714
Net cash flows from investing activities		(5,672,151)	976,225
<b>Cash flows from financing activities</b>			
Dividend paid to equity holders		(940,000)	(880,000)
Dividend paid to non-controlling interests		(400)	(400)
Net cash flows from financing activities		(940,400)	(880,400)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,552,096</b>	<b>(1,178,043)</b>
Cash and cash equivalents as at 1st January		29,404,515	27,847,084
Effect of exchange rate changes on cash and cash equivalents		200,265	(176,576)
<b>Cash and cash equivalents as at 30th June</b>	25(b)	<b>31,156,876</b>	<b>26,492,465</b>
Cash flows from operating activities and investing activities included:			
Interest received		1,896,696	1,766,673
Interest paid		(577,615)	(500,069)



## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 1 General Information

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

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

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

This Group Interim Financial Disclosure Statement is presented in thousands of units of Hong Kong Dollars (HK\$'000), unless otherwise stated, and was approved for issue by the Board of Directors on 17th August 2015.

### 2 Basis of preparation

This Group Interim Financial Disclosure Statement for the six months ended 30th June 2015 has been prepared in accordance with Hong Kong Accounting Standard ('HKAS') 34, 'Interim financial reporting'. The Group Interim Financial Disclosure Statement should be read in conjunction with the annual financial statements for the year ended 31st December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRSs').

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 3 Accounting policies

Except as described below, the accounting policies applied in the preparation of the 2015 Group Interim Financial Disclosure Statement are consistent with those used and described in the Group's audited annual financial statements for the year ended 31st December 2014.

(a) The following standards, amendments and interpretations, which became effective in 2015, are relevant to the Group:

#### **Amendments to HKAS 19 'Defined benefit plans: Employee contributions'**

Amendments to HKAS 19 'Defined benefit plans: Employee contributions' are effective for the accounting period beginning on or after 1st July 2014. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, an entity is permitted to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendments do not have significant impact on the Group's financial statements as the defined benefit plan operated by the Group is not material.

#### **Annual improvements to HKFRSs**

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

(b) Amendments, new standards and interpretations issued but not yet effective for the period ended 30th June 2015:

The HKICPA has issued a few amendments and new standards which are not yet effective for the period ended 30th June 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1st January 2016
Amendments to HKAS 1 'Disclosure Initiative'	1st January 2016
Amendments to HKFRS 11 'Accounting for acquisitions of interests in joint operations'	1st January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities: applying the consolidated exception'	1st January 2016
HKFRS 15 'Revenue from contracts with customers'	1st January 2017
HKFRS 9 'Financial instruments'	1st January 2018

The Group is considering the financial impacts of the amendments and standards and the timing of their application.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 4 Estimates

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

In preparing this Group Interim Financial Disclosure Statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2014.

### 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.

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.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 5 Basis of consolidation (Continued)

#### (a) Subsidiaries (Continued)

The following is a list of the subsidiaries as at 30th June 2015:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	30th June 2015		31st December 2014	
					Total assets	Total equity	Total assets	Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares	<sup>1</sup> 100%	10	10	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares	<sup>2</sup> 60%	14,646	14,315	14,685	14,436
Shacom Futures Limited	Hong Kong	Commodities trading Hong Kong	100,000 ordinary shares	<sup>1</sup> 100%	40,071	8,392	19,610	8,656
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares	<sup>1</sup> 100%	2,292,592	11,113	2,226,809	1,193
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding United Kingdom	2 ordinary shares of US\$1 each	<sup>1</sup> 100%	40,034	(1,882)	39,186	(2,333)
Shacom Property (NY) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US\$1 each	<sup>1</sup> 100%	5,789	5,789	5,795	5,795
Shacom Property (CA) Inc.	United States of America	Property holding United States of America	10 ordinary shares of US\$1 each	<sup>1</sup> 100%	2,775	2,775	2,781	2,781
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares	<sup>1</sup> 100%	978,376	237	978,181	61
Infinite Financial Solutions Limited	Hong Kong	I.T. application services provider Hong Kong	500,000 ordinary shares	<sup>1</sup> 100%	25,408	16,288	22,658	16,352
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares	<sup>1</sup> 100%	5,158	1,291	3,271	1,132
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	1,000,000 ordinary shares	<sup>1</sup> 100%	1,278,496	160,354	328,394	158,290
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares	<sup>1</sup> 100%	698	429	653	411
Paofong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares	<sup>2</sup> 60%	250,997	152,037	236,448	146,549
Right Honour Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US\$1 each	<sup>1</sup> 100%	-	(78)	-	(72)
Glory Step Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US\$1 each	100%	193,134	(1,931)	193,098	(1,730)
Silver Wisdom Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US\$1 each	100%	287,927	(1,898)	288,028	(1,693)
KCC 23F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK\$1 each	<sup>1</sup> 100%	238,824	40,086	<sup>3</sup> N/A	<sup>3</sup> N/A
KCC 25F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK\$1 each	<sup>1</sup> 100%	241,174	42,336	<sup>3</sup> N/A	<sup>3</sup> N/A
KCC 26F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK\$1 each	<sup>1</sup> 100%	243,328	44,617	<sup>3</sup> N/A	<sup>3</sup> N/A

<sup>1</sup> Ordinary share capital is held directly by the Bank.

<sup>2</sup> 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.

<sup>3</sup> KCC 23F Limited, KCC 25F Limited and KCC 26F Limited became wholly-owned subsidiaries of the Bank with effect from 30th April 2015.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 5 Basis of consolidation (Continued)

#### (b) Transactions with non-controlling interests

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

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

#### (c) Joint ventures

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

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

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

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 6 Net interest income

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Interest income		
Cash and balances with banks	424,271	435,674
Held-to-maturity and available-for-sale investments:		
- Listed investments	102,969	113,512
- Unlisted investments	211,072	191,485
Loans and advances to customers	1,119,519	1,031,982
Others	3,519	4,518
	<u>1,861,350</u>	<u>1,777,171</u>
Interest income on financial assets that are not at fair value through profit or loss		
	<u>1,861,350</u>	<u>1,777,171</u>
Included within interest income		
Interest income accrued on impaired financial assets	5,261	2,403
Interest expense		
Deposits and balances from bank	23,606	26,976
Deposits from customers	585,557	515,791
Others	1,357	1,448
	<u>610,520</u>	<u>544,215</u>
Interest expense on financial liabilities that are not at fair value through profit or loss		
	<u>610,520</u>	<u>544,215</u>

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 7 Net fee and commission income

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Fee and commission income		
Bills	53,846	57,479
Nominees, custodian and securities brokerage	181,107	99,779
Wealth management products	60,404	46,816
Remittance	32,164	26,308
Facility fees	56,041	52,665
Credit cards	22,857	22,274
Retail banking	22,568	21,607
Insurance	24,330	22,917
Loans and advances	2,130	4,717
Trust and other commissions	2,414	2,338
	<u>457,861</u>	<u>356,900</u>
Fee and commission expense		
Bills	2,043	1,706
Nominees, custodian and securities brokerage	9,735	7,720
Retail banking	10,019	9,663
Fees on credit cards	43	71
Remittance	41	47
	<u>21,881</u>	<u>19,207</u>
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	134,874	137,135
- fee and commission expense	2,086	1,777
Net fee and commission income on trust and other fiduciary activities		
- fee and commission income	9,424	9,717

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

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 8 Dividend income

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Dividend income from available-for-sale investments		
- listed investments	1,108	-
- unlisted investments	41,750	34,500
	<u>42,858</u>	<u>34,500</u>

### 9 Net trading income

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Foreign exchange	61,900	47,753
Interest rate instruments	(1,502)	(693)
Equities	6,417	5,104
Other trading income	3,115	1,975
	<u>69,930</u>	<u>54,139</u>

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

### 10 Other operating income

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Gross rental income from investment properties	419	224
Others	35,859	34,673
	<u>36,278</u>	<u>34,897</u>

There were no direct operating expenses (six months ended 30th June 2014: HK\$17,000 were included in operating expenses) arising from investment properties that generated rental income.



## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

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

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Insurance premium revenue	30,183	30,038
Insurance premium ceded to reinsurers	(6,751)	(7,205)
	<u>23,432</u>	<u>22,833</u>

The related net insurance claims incurred and movement in policyholders' liabilities of HK\$10,588,000 (six months ended 30th June 2014: HK\$10,945,000) were shown after being netted off with the insurance claims and loss adjustment expenses recovered from reinsurers of HK\$1,763,000 (six months ended 30th June 2014: HK\$881,000).

### 12 Operating expenses

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Auditor's remuneration		
Statutory audit services	3,217	3,441
Non-statutory audit and other services (Note a)	3,084	2,465
Advertising costs	9,942	10,777
Depreciation expenses	35,151	31,070
Employee benefit expenses		
Wages and salaries and other costs (Note b)	355,618	331,829
Pension costs - defined contribution schemes	25,417	24,616
Pension costs - defined benefit schemes	22	66
Premises and equipment expense, excluding depreciation		
Rental of premises	71,302	61,197
Building expenses	5,337	5,058
Building management fee	6,431	5,417
Other operating expenses		
Computer rental and licence	7,231	7,422
Credit card business promotion	11,880	12,519
Credit card service fee	5,203	5,245
Insurance	3,078	3,196
Legal and consultancy	5,214	987
Postage	7,047	6,916
Printing and stationery	4,785	4,762
Repair and maintenance	9,136	8,556
Telephone and communications	12,994	13,592
Travelling and transportation	2,369	2,841
Water, heat and light	7,079	7,190
Others	38,869	23,158
	<u>630,406</u>	<u>572,320</u>

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 2015 was 1,695 (30th June 2014: 1,661).

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 13 Charge of impairment losses on loans and advances to customers

	Six months ended 30th June 2015 (unaudited)	Six months ended 30th June 2014 (unaudited)
Trade bills	240	(240)
Loans and advances to customers	<u>8,689</u>	<u>10,343</u>
	<u>8,929</u>	<u>10,103</u>
Net charge/(reversal) of impairment losses		
- Individually assessed	9,352	3,123
- Collectively assessed	<u>(423)</u>	<u>6,980</u>
	<u>8,929</u>	<u>10,103</u>
Of which		
- new allowances	26,608	35,829
- releases	(15,993)	(22,287)
- recoveries	<u>(1,686)</u>	<u>(3,439)</u>
Net charge to income statement	<u>8,929</u>	<u>10,103</u>

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 14 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2014: 16.5%) on the estimated assessable profits for the six months ended 30th June 2015. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30th June 2015 at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the income statement represents:

	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Current income tax:		
- Hong Kong profits tax	<b>157,947</b>	147,772
- Overseas taxation	<b>89,672</b>	72,058
- Over provisions in respect of prior years	<b>(3,312)</b>	(4,282)
Total current income tax	<b>244,307</b>	215,548
Deferred income tax:		
- Hong Kong deferred tax	<b>(114)</b>	(332)
- Overseas deferred tax	<b>2,184</b>	8,763
Total deferred income tax	<b>2,070</b>	8,431
Income tax expense	<b>246,377</b>	223,979

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 15 Cash and balances with banks

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Cash in hand	<b>316,779</b>	396,604
Balances with central banks and Hong Kong Monetary Authority	<b>4,427,466</b>	8,135,720
Balances with banks	<b>25,195,825</b>	20,571,537
	<b>29,940,070</b>	29,103,861

As at 30th June 2015, HK\$1,500,000 (31st December 2014: HK\$1,500,000) were deposited in the name of the Director of Accounting Services Treasury Hong Kong by a subsidiary company of the Bank to comply with the statutory requirement.

As at 30th June 2015, there were HK\$278,514,000 (31st December 2014: HK\$266,314,000) 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 2015, HK\$74,080,000 (31st December 2014: HK\$74,127,000) were deposited with designated banks in the People's Republic of China to comply with the local statutory requirement.

### 16 Placements with and loans and advances to banks

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Placements with banks maturing between 1 and 12 months	<b>24,460,596</b>	22,770,447
Loans and advances to banks maturing between 1 and 12 months	<b>380,557</b>	949,793
	<b>24,841,153</b>	23,720,240

As at 30th June 2015, HK\$318,552,000 (31st December 2014: HK\$131,207,000) were deposited with designated banks in the People's Republic of China to comply with the local statutory requirement. No impairment allowances for the placements with and loans and advances to banks were needed.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 17 Loans and advances to customers

	30th June 2015 (unaudited)	31st December 2014 (audited)
Loans and advances to individuals	<b>16,397,760</b>	15,663,022
Loans and advances to corporate entities	<b>50,606,051</b>	51,794,084
Gross loans and advances to customers	<b>67,003,811</b>	67,457,106
Less: impairment allowances		
- Individually assessed	<b>(21,050)</b>	(26,367)
- Collectively assessed	<b>(261,540)</b>	(261,912)
	<b>66,721,221</b>	67,168,827
Gross trade bills and other eligible bills, included within loans and advances to customers	<b>2,189,050</b>	2,911,597
Less: impairment allowances on trade bills		
- Collectively assessed	<b>(1,354)</b>	(1,114)
	<b>2,187,696</b>	2,910,483
Value of collateral for loans and advances which are individually assessed to be impaired	<b>705,655</b>	647,374
Gross impaired loans and advances	<b>407,686</b>	321,362
Percentage of impaired loans and advances to gross loans and advances	<b>0.61%</b>	0.48%

The Group accepted listed securities at fair value of HK\$3,309,495,000 as at 30th June 2015 (31st December 2014: HK\$3,419,936,000) 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 2015, certain of the Bank's branches in the United States have pledged their real estate loans of HK\$52,606,000 (31st December 2014: HK\$54,059,000) to the State of California and with the Office of the Comptroller of the Currency in compliance with local regulatory requirements.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 18 Derivative financial instruments

	Contract amount	Fair values	
		Assets	Liabilities
<b>As at 30th June 2015 (unaudited)</b>			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	<b>29,582,104</b>	<b>114,338</b>	<b>(86,383)</b>
Total recognised derivative assets/(liabilities)		<b>114,338</b>	<b>(86,383)</b>

	Contract amount	Fair values	
		Assets	Liabilities
At 31st December 2014 (audited)			
Derivatives held for trading			
Exchange rate contracts			
Currency forwards and swaps	15,417,193	102,243	(82,527)
Total recognised derivative assets/(liabilities)		102,243	(82,527)

	Credit risk weighted amount	
	30th June 2015 (unaudited)	31st December 2014 (audited)
Exchange rate contracts	<b>159,870</b>	89,650

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 2015 and 31st December 2014 are the amounts that have been calculated in accordance with the Banking (Capital) Rules.

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

The Group uses the following derivative strategies:

- Trading purposes (customer needs)

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

- Trading purposes (own account)

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

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 19 Properties and equipment

	Leasehold land	Bank premises	Furniture, fittings and equipment	Property under development		Total
				Leasehold land	Development cost	
<b>As at 1st January 2014</b>						
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	<u>598,448</u>	<u>264,346</u>	<u>100,466</u>	<u>1,373,962</u>	<u>86,792</u>	<u>2,424,014</u>
<b>Year ended 31st December 2014</b>						
Opening net book amount	598,448	264,346	100,466	1,373,962	86,792	2,424,014
Additions	52,401	-	22,664	-	127,706	202,771
Transfers from investment properties (Note 20)						
Cost	88,815	1,777	-	-	-	90,592
Accumulated depreciation	(272)	(1,667)	-	-	-	(1,939)
Transfers to investment properties (Note 20)						
Cost	(23)	(2,519)	-	-	-	(2,542)
Accumulated depreciation	6	944	-	-	-	950
Disposals / write-off						
Cost	-	-	(27,553)	-	-	(27,553)
Accumulated depreciation	-	-	26,640	-	-	26,640
Depreciation charge	(5,287)	(9,410)	(36,931)	(1,651)	-	(53,279)
Exchange adjustments	-	(1,518)	(223)	-	-	(1,741)
Closing net book amount	<u>734,088</u>	<u>251,953</u>	<u>85,063</u>	<u>1,372,311</u>	<u>214,498</u>	<u>2,657,913</u>
<b>As at 31st December 2014 (audited)</b>						
Cost	820,871	483,097	622,982	1,383,906	214,498	3,525,354
Accumulated depreciation	(86,783)	(231,144)	(537,919)	(11,595)	-	(867,441)
Net book amount	<u>734,088</u>	<u>251,953</u>	<u>85,063</u>	<u>1,372,311</u>	<u>214,498</u>	<u>2,657,913</u>
<b>Six months ended 30th June 2015</b>						
Opening net book amount	<b>734,088</b>	<b>251,953</b>	<b>85,063</b>	<b>1,372,311</b>	<b>214,498</b>	<b>2,657,913</b>
Additions	<b>359</b>	<b>-</b>	<b>8,599</b>	<b>-</b>	<b>127,938</b>	<b>136,896</b>
Acquisition of subsidiaries	<b>389,586</b>	<b>331,216</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>720,802</b>
Disposals / write-off						
Cost	-	-	(3,254)	-	-	(3,254)
Accumulated depreciation	-	-	3,234	-	-	3,234
Depreciation charge	(5,632)	(7,132)	(21,505)	(826)	-	(35,095)
Exchange adjustments	-	210	7	-	-	217
Closing net book amount	<u><b>1,118,401</b></u>	<u><b>576,247</b></u>	<u><b>72,144</b></u>	<u><b>1,371,485</b></u>	<u><b>342,436</b></u>	<u><b>3,480,713</b></u>
<b>As at 30th June 2015 (unaudited)</b>						
Cost	<b>1,210,816</b>	<b>814,605</b>	<b>628,507</b>	<b>1,383,906</b>	<b>342,436</b>	<b>4,380,270</b>
Accumulated depreciation	<b>(92,415)</b>	<b>(238,358)</b>	<b>(556,363)</b>	<b>(12,421)</b>	<b>-</b>	<b>(899,557)</b>
Net book amount	<u><b>1,118,401</b></u>	<u><b>576,247</b></u>	<u><b>72,144</b></u>	<u><b>1,371,485</b></u>	<u><b>342,436</b></u>	<u><b>3,480,713</b></u>

Property under development represents the related costs paid as at 30th June 2015 and 31st December 2014 for the re-development of the Bank's new Head Office building in Central, Hong Kong.

As at 30th June 2015, interests in freehold land outside Hong Kong amounted to HK\$36,956,000 (31st December 2014: HK\$36,798,000) are included as bank premises above.

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 20 Investment properties

	Leasehold land	Buildings	Total
<b>As at 1st January 2014</b>			
Cost	91,623	2,676	94,299
Accumulated depreciation	(408)	(1,396)	(1,804)
Net book amount	<u>91,215</u>	<u>1,280</u>	<u>92,495</u>
<b>Year ended 31st December 2014</b>			
Opening net book amount	91,215	1,280	92,495
Additions	380	-	380
Transfers to properties and equipment (Note 19)			
Cost	(88,815)	(1,777)	(90,592)
Accumulated depreciation	272	1,667	1,939
Transfers from properties and equipment (Note 19)			
Cost	23	2,519	2,542
Accumulated depreciation	(6)	(944)	(950)
Depreciation charge	(100)	(536)	(636)
Closing net book amount	<u>2,969</u>	<u>2,209</u>	<u>5,178</u>
<b>As at 31st December 2014 (audited)</b>			
Cost	3,211	3,418	6,629
Accumulated depreciation	(242)	(1,209)	(1,451)
Net book amount	<u>2,969</u>	<u>2,209</u>	<u>5,178</u>
<b>Six months ended 30th June 2015</b>			
Opening net book amount	<u>2,969</u>	<u>2,209</u>	<u>5,178</u>
Depreciation charge	(13)	(43)	(56)
Closing net book amount	<u>2,956</u>	<u>2,166</u>	<u>5,122</u>
<b>As at 30th June 2015 (unaudited)</b>			
Cost	<u>3,211</u>	<u>3,418</u>	<u>6,629</u>
Accumulated depreciation	<u>(255)</u>	<u>(1,252)</u>	<u>(1,507)</u>
Net book amount	<u>2,956</u>	<u>2,166</u>	<u>5,122</u>

### 21 Deposits from customers

	30th June 2015 (unaudited)	31st December 2014 (audited)
Demand deposits and current accounts	13,234,250	11,729,631
Savings deposits	37,435,263	34,774,828
Time, call and notice deposits	79,300,305	74,500,938
Deposits from Hong Kong Government Exchange Fund	387,821	388,085
	<u>130,357,639</u>	<u>121,393,482</u>



## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 22 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

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

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

(iii) Held-to-maturity securities

The fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value of held-to-maturity securities is HK\$2,478,023,000 (31st December 2014: HK\$2,475,642,000). The fair value of held-to-maturity securities is classified under Level 1 (30th June 2015: HK\$2,322,765,000, 31st December 2014: HK\$2,397,965,000) and Level 2 (30th June 2015: HK\$155,258,000, 31st December 2014: HK\$77,677,000) in the fair value hierarchy. Please refer to Note 22(b) for the definition of fair value hierarchy.

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

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

(b) Fair value hierarchy

Valuation governance

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

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, funds and debt securities on exchanges (for example, the Hong Kong Stock Exchange, the London Stock Exchange, the New York Stock Exchange and the Frankfurt Stock Exchange) and paper gold.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the OTC derivative contracts, unlisted equities securities, unlisted funds and unlisted debt securities. The sources of input parameters such as HIBOR and LIBOR yield curves or counterparty credit risk are obtained from Bloomberg and Reuters.

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments 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 30th June 2015 (unaudited)**

	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Debt securities	357,603	11,229	-	368,832
Equity securities	41,085	-	-	41,085
Funds	5,365	29,190	-	34,555
Others	684	-	-	684
Derivative financial instruments				
Currency forwards and swaps	-	114,338	-	114,338
Available-for-sale investments				
Debt securities	6,227,725	21,201,284	2,874	27,431,883
Equity securities	152,242	101,642	3,115,969	3,369,853
<b>Total Assets</b>	<b>6,784,704</b>	<b>21,457,683</b>	<b>3,118,843</b>	<b>31,361,230</b>
Derivative financial instruments				
Currency forwards and swaps	-	86,383	-	86,383
<b>Total Liabilities</b>	<b>-</b>	<b>86,383</b>	<b>-</b>	<b>86,383</b>

**As at 31st December 2014 (audited)**

	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Debt securities	214,895	-	-	214,895
Equity securities	172,540	-	-	172,540
Funds	4,775	28,180	-	32,955
Others	370	-	-	370
Derivative financial instruments				
Currency forwards and swaps	-	102,243	-	102,243
Available-for-sale investments				
Debt securities	4,931,035	17,549,329	2,874	22,483,238
Equity securities	135,726	95,835	2,558,510	2,790,071
<b>Total Assets</b>	<b>5,459,341</b>	<b>17,775,587</b>	<b>2,561,384</b>	<b>25,796,312</b>
Derivative financial instruments				
Currency forwards and swaps	-	82,527	-	82,527
<b>Total Liabilities</b>	<b>-</b>	<b>82,527</b>	<b>-</b>	<b>82,527</b>

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

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 22 Fair value of financial assets and liabilities (Continued)

#### (b) Fair value hierarchy (Continued)

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

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

Level 2 fair values of currency forward and swap contracts are determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

Level 3 fair values of unlisted equity securities are determined based on latest price of identical assets between independent third parties. If no such information is available, management estimates the fair value based on comparable market data such as price to book ratio, price to earnings ratio etc. adjusted for marketability.

If the change in the price to book ratio would be shifted by +/- 5%, the impact on other comprehensive income would be increased/decreased by HK\$154,064,000 (31st December 2014: HK126,191,000) respectively.

The following table presents the changes in level 3 instruments for the six months ended 30th June 2014 and 2015 respectively.

	Available-for-sale investments		
	Equity securities	Debt securities	Total
As at 1st January 2014	2,113,983	2,754	2,116,737
Total gains			
- Profit or loss	-	-	-
- Other comprehensive income	(52,732)	-	(52,732)
Purchases	-	-	-
Settlements	-	-	-
Exchange adjustments	(719)	-	(719)
As at 30th June 2014 (unaudited)	2,060,532	2,754	2,063,286
<b>As at 1st January 2015</b>	<b>2,558,510</b>	<b>2,874</b>	<b>2,561,384</b>
Total gains			
- Profit or loss	-	-	-
- Other comprehensive income	357,833	-	357,833
Purchases	202,764	-	202,764
Settlements	-	-	-
Exchange adjustments	(3,138)	-	(3,138)
<b>As at 30th June 2015 (unaudited)</b>	<b>3,115,969</b>	<b>2,874</b>	<b>3,118,843</b>

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 23 Deferred income tax

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

Deferred income tax assets	Impairment allowances	Accelerated tax depreciation	Fair value losses on available-for-sale investments	Others	Total
As at 1st January 2014	34,881	1,549	154	13,846	50,430
Credited/(charged) to the income statement	3,282	(9,957)	-	487	(6,188)
Exchange adjustments	(463)	385	-	6	(72)
Charged to equity	-	-	(90)	-	(90)
Reclassified from deferred income tax liabilities	-	40	-	-	40
As at 31st December 2014 (audited)	37,700	(7,983)	64	14,339	44,120
(Charged)/credited to the income statement	<b>2,311</b>	<b>(517)</b>	-	<b>(3,978)</b>	<b>(2,184)</b>
Exchange adjustments	<b>62</b>	<b>(73)</b>	-	<b>(10)</b>	<b>(21)</b>
Charged to equity	-	-	<b>(199)</b>	-	<b>(199)</b>
Reclassified to deferred income tax liabilities	-	-	<b>135</b>	-	<b>135</b>
<b>As at 30th June 2015 (unaudited)</b>	<b><u>40,073</u></b>	<b><u>(8,573)</u></b>	<b><u>-</u></b>	<b><u>10,351</u></b>	<b><u>41,851</u></b>

Deferred income tax liabilities	Impairment allowances	Accelerated tax depreciation	Fair value gains on available-for-sale investments	Others	Total
As at 1st January 2014	32,214	(10,303)	(261,194)	(1,260)	(240,543)
Credited/(charged) to the income statement	276	1,031	-	(1,075)	232
Charged to equity	-	-	(50,082)	-	(50,082)
Reclassified to current income tax liabilities	-	-	-	1,259	1,259
Reclassified to deferred income tax assets	-	(40)	-	-	(40)
As at 31st December 2014 (audited)	32,490	(9,312)	(311,276)	(1,076)	(289,174)
Credited/(charged) to the income statement	<b>(893)</b>	<b>1,086</b>	-	<b>(79)</b>	<b>114</b>
Charged to equity	-	-	<b>(84,977)</b>	-	<b>(84,977)</b>
Reclassified from deferred income tax assets	-	-	<b>(135)</b>	-	<b>(135)</b>
<b>As at 30th June 2015 (unaudited)</b>	<b><u>31,597</u></b>	<b><u>(8,226)</u></b>	<b><u>(396,388)</u></b>	<b><u>(1,155)</u></b>	<b><u>(374,172)</u></b>

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 24 Other reserves

	Regulatory reserve (Note)	Available- for-sale investments revaluation reserve	General reserve	Total
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	-	348,623	-	348,623
Realised on disposal of available-for-sale investments	-	(46,961)	-	(46,961)
Effect of deferred taxation	-	(50,136)	-	(50,136)
Currency translation differences	(975)	(279)	(23,731)	(24,985)
Share of investments revaluation reserve of joint ventures	-	1,748	-	1,748
Transfer from retained earnings	200,000	-	-	200,000
As at 31st December 2014 (audited)	<u>698,597</u>	<u>1,574,062</u>	<u>7,347,851</u>	<u>9,620,510</u>
<b>As at 1st January 2015</b>	<b>698,597</b>	<b>1,574,062</b>	<b>7,347,851</b>	<b>9,620,510</b>
Change in fair value of available-for-sale investments	-	<b>549,310</b>	-	<b>549,310</b>
Realised on disposal of available-for-sale investments	-	<b>(28,626)</b>	-	<b>(28,626)</b>
Effect of deferred taxation	-	<b>(85,096)</b>	-	<b>(85,096)</b>
Currency translation differences	<b>32</b>	<b>(2,479)</b>	<b>2,795</b>	<b>348</b>
Share of investments revaluation reserve of joint ventures	-	<b>2,222</b>	-	<b>2,222</b>
<b>As at 30th June 2015 (unaudited)</b>	<b><u>698,629</u></b>	<b><u>2,009,393</u></b>	<b><u>7,350,646</u></b>	<b><u>10,058,668</u></b>

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

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 25(a) Acquisition of subsidiaries

On 30th April 2015, the Group acquired 100% of the issued shares of KCC 23F Limited, KCC 25F Limited and KCC 26F Limited, the property holding companies, for a consideration of HK\$722,560,000. Major assets purchased are properties with fair value of HK\$720,802,000 at the date of acquisition. The aggregated fair value of other assets acquired and liabilities assumed was HK\$2,499,000. Acquisition-related costs included in operating expenses of the Group for the period ended 30th June 2015 were HK\$9,375,000.

### 25(b) Cash and cash equivalents

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

	<b>30th June 2015</b> <b>(unaudited)</b>	30th June 2014 (unaudited)
Cash and balances with banks	<b>27,715,186</b>	21,878,033
Placements with and loans and advances to banks	<b>3,441,690</b>	4,614,432
	<b>31,156,876</b>	26,492,465

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 26 Contingent liabilities and commitments

#### (a) Credit commitments

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

	30th June 2015 (unaudited)	31st December 2014 (audited)
Direct credit substitutes	2,091,325	2,333,546
Trade-related contingencies	3,006,106	3,326,750
Forward forward deposits placed	457,640	8,224,547
Other commitments with an original maturity of:		
- under 1 year	550,746	563,132
- 1 year and over	2,711,031	2,371,973
- unconditionally cancellable	31,354,575	28,237,283
	<u>40,171,423</u>	<u>45,057,231</u>

The credit risk weighted amount of credit commitment is HK\$4,094,376,000 (31st December 2014: HK\$5,733,515,000).

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) Capital commitments

Capital expenditure at the end of the reporting period but not yet incurred is as follows:

	30th June 2015 (unaudited)	31st December 2014 (audited)
Properties and equipment		
Contracted but not provided for	357,378	483,808
Authorised but not contracted for	65,351	809,467
	<u>422,729</u>	<u>1,293,275</u>

#### (c) Operating lease commitments

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

	30th June 2015 (unaudited)	31st December 2014 (audited)
No later than 1 year	144,116	114,969
Later than 1 year and no later than 5 years	151,160	133,800
Later than 5 years	5,650	2
	<u>300,926</u>	<u>248,771</u>

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 27 Maturity analysis

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

As at 30th June 2015 (unaudited)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
<b>Assets</b>								
Cash and balances with banks	6,068,975	23,871,095	-	-	-	-	-	29,940,070
Placements with and loans and advances to banks	-	-	10,329,428	14,511,725	-	-	-	24,841,153
Loans and advances to customers	4,923,912	4,190,205	6,561,804	13,474,481	18,467,469	18,461,932	641,418	66,721,221
Financial assets held for trading	-	99	99	198	157,510	210,926	76,324	445,156
Derivative financial instruments	-	6,486	32,364	75,288	200	-	-	114,338
Available-for-sale investments	-	225,732	413,437	2,314,581	22,700,617	1,774,642	3,372,727	30,801,736
Held-to-maturity investments	-	19	55,769	1,142,589	1,261,281	-	-	2,459,658
Investments in joint ventures	-	-	-	-	-	-	298,805	298,805
Properties and equipment	-	-	-	-	72,144	3,371,613	36,956	3,480,713
Investment properties	-	-	-	-	-	5,122	-	5,122
Deferred income tax assets	-	-	-	-	41,851	-	-	41,851
Other assets	444,639	1,542,978	7,280	62,950	246,364	-	4,119	2,308,330
<b>Total assets</b>	<b>11,437,526</b>	<b>29,836,614</b>	<b>17,400,181</b>	<b>31,581,812</b>	<b>42,947,436</b>	<b>23,824,235</b>	<b>4,430,349</b>	<b>161,458,153</b>
<b>Liabilities</b>								
Deposits and balances from banks	884,848	2,745,269	842,958	484,411	426,617	-	-	5,384,103
Deposits from customers	51,456,597	29,373,411	26,735,216	22,598,102	194,313	-	-	130,357,639
Derivative financial instruments	-	8,737	26,469	51,173	4	-	-	86,383
Other liabilities	52,404	2,381,105	51,659	230,614	-	-	-	2,715,782
Provisions	-	111	-	69,751	4,664	136	-	74,662
Current income tax liabilities	-	-	-	192,260	-	-	-	192,260
Deferred income tax liabilities	-	-	-	-	374,172	-	-	374,172
<b>Total liabilities</b>	<b>52,393,849</b>	<b>34,508,633</b>	<b>27,656,302</b>	<b>23,626,311</b>	<b>999,770</b>	<b>136</b>	<b>-</b>	<b>139,185,001</b>
<b>Net liquidity gap</b>	<b>(40,956,323)</b>	<b>(4,672,019)</b>	<b>(10,256,121)</b>	<b>7,955,501</b>	<b>41,947,666</b>	<b>23,824,099</b>	<b>4,430,349</b>	<b>22,273,152</b>
Of which certificates of deposit included in:								
Available-for-sale investments	-	-	337,162	1,618,245	12,958,192	855,903	-	15,769,502



## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 27 Maturity analysis (Continued)

As at 31st December 2014 (audited)	Repayable on demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
<b>Assets</b>								
Cash and balances with banks	10,025,474	19,078,387	-	-	-	-	-	29,103,861
Placements with and loans and advances to banks	-	-	9,081,507	14,638,733	-	-	-	23,720,240
Loans and advances to customers	4,873,211	3,902,387	6,540,151	15,150,385	19,611,018	16,770,313	321,362	67,168,827
Financial assets held for trading	-	181	181	362	74,828	139,343	205,865	420,760
Derivative financial instruments	-	29,253	48,076	24,914	-	-	-	102,243
Available-for-sale investments	-	395,258	1,416,359	1,851,386	15,977,106	2,840,255	2,792,945	25,273,309
Held-to-maturity investments	-	17	452,278	299,748	1,713,797	-	-	2,465,840
Investments in joint ventures	-	-	-	-	-	-	259,628	259,628
Properties and equipment	-	-	-	-	85,062	2,536,053	36,798	2,657,913
Investment properties	-	-	-	-	-	5,178	-	5,178
Deferred income tax assets	-	-	-	-	44,120	-	-	44,120
Other assets	127,612	855,654	5,393	30,643	223,173	-	4,119	1,246,594
<b>Total assets</b>	<b>15,026,297</b>	<b>24,261,137</b>	<b>17,543,945</b>	<b>31,996,171</b>	<b>37,729,104</b>	<b>22,291,142</b>	<b>3,620,717</b>	<b>152,468,513</b>
<b>Liabilities</b>								
Deposits and balances from banks	427,613	5,420,076	788,327	255,983	426,808	-	-	7,318,807
Deposits from customers	46,810,709	28,418,433	25,440,441	20,396,266	327,633	-	-	121,393,482
Derivative financial instruments	-	23,625	37,495	21,407	-	-	-	82,527
Other liabilities	53,335	1,060,295	62,158	277,836	-	-	-	1,453,624
Provisions	-	306	90,043	-	4,664	119	-	95,132
Current income tax liabilities	-	-	-	92,199	-	-	-	92,199
Deferred income tax liabilities	-	-	-	-	289,174	-	-	289,174
<b>Total liabilities</b>	<b>47,291,657</b>	<b>34,922,735</b>	<b>26,418,464</b>	<b>21,043,691</b>	<b>1,048,279</b>	<b>119</b>	<b>-</b>	<b>130,724,945</b>
<b>Net liquidity gap</b>	<b>(32,265,360)</b>	<b>(10,661,598)</b>	<b>(8,874,519)</b>	<b>10,952,480</b>	<b>36,680,825</b>	<b>22,291,023</b>	<b>3,620,717</b>	<b>21,743,568</b>
<b>Of which certificates of deposit included in:</b>								
Available-for-sale investments	-	269,223	940,306	1,299,234	10,312,249	472,091	-	13,293,103

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 28 Related party transactions

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

Included in the following statement of financial position captions are balances with the ultimate holding company:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Cash and balances with banks	27	73
Available-for-sale investments	<b>101,642</b>	95,835
	<b>101,669</b>	95,908
Deposits and balances from banks	<b>143,366</b>	431,820
Contingent liabilities and other commitments	<b>98,628</b>	106,449
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest income on balances with the ultimate holding company	-	594
Interest expense on deposits from the ultimate holding company	<b>127</b>	1,784

Included in the following statement of financial position captions are balances with subsidiary companies of the ultimate holding company:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Deposits from customers	<b>327,690</b>	333,539
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest expense on deposits from the subsidiary companies of the ultimate holding company	<b>1,056</b>	1,053

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 28 Related party transactions (Continued)

Included in the following statement of financial position captions are balances with other shareholders:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Cash and balances with banks	<b>16,462</b>	97,422
Available-for-sale investments	<b>425,269</b>	422,959
	<b>441,731</b>	520,381
Deposits from customers	<b>808,563</b>	844,495
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest income on balances with other shareholders	<b>192</b>	21
Interest expense on deposits from other shareholders	<b>3,831</b>	2,751

Included in the following statement of financial position captions are balances with joint ventures:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Loans and advances to customers	<b>8,669</b>	8,669
Collectively assessed impairment allowances	<b>35</b>	35
Deposits from customers	<b>249,310</b>	129,852
Contingent liabilities and other commitments	<b>2,000</b>	2,000
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest income on loans and advances to the joint ventures	<b>122</b>	160
Interest expense on deposits from the joint ventures	<b>1,791</b>	2,192

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 28 Related party transactions (Continued)

Included in the following statement of financial position captions are balances with the Directors of the Bank and the ultimate holding company and their relatives:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Loans and advances to customers	<b>152,810</b>	155,104
Collectively assessed impairment allowances	<b>623</b>	634
Deposits from customers	<b>393,358</b>	343,375
Contingent liabilities and other commitments	<b>101,439</b>	101,097
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest income on loans and advances to the Directors and their relatives	<b>3,881</b>	3,316
Interest expense on deposits from the Directors and their relatives	<b>1,353</b>	607

Included in the following statement of financial position captions are balances with companies controlled by the Directors of the Bank and the ultimate holding company and their relatives:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Loans and advances to customers	<b>48,880</b>	102,524
Collectively assessed impairment allowances	<b>196</b>	410
Deposits from customers	<b>1,276,509</b>	1,085,120
Contingent liabilities and other commitments	<b>1,359,660</b>	1,011,861
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest income on loans and advances to the companies controlled by the Directors and their relatives	<b>1,974</b>	8,119
Interest expense on deposits from the companies controlled by the Directors and their relatives	<b>4,416</b>	2,142

## NOTES TO THE GROUP INTERIM FINANCIAL DISCLOSURE STATEMENT

### 28 Related party transactions (Continued)

Included in the following statement of financial position captions are balances with the key management personnel, other than Directors of the Bank and the ultimate holding company and their relatives:

	<b>30th June 2015 (unaudited)</b>	31st December 2014 (audited)
Loans and advances to customers	<u>356</u>	<u>1,497</u>
Collectively assessed impairment allowances	<u>5</u>	<u>22</u>
Deposits from customers	<u>30,869</u>	<u>41,274</u>
Contingent liabilities and other commitments	<u>3,561</u>	<u>1,996</u>
	<b>Six months ended 30th June 2015 (unaudited)</b>	Six months ended 30th June 2014 (unaudited)
Interest expense on deposits from the key management personnel of the Bank and the ultimate holding company and their relatives	<u>429</u>	<u>396</u>
The compensation of Directors and key management personnel of the Bank: Salaries and other short-term employee benefits	<u>24,089</u>	<u>22,281</u>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 1 Liquidity maintenance ratio

30th June 2015

Liquidity maintenance ratio ('LMR')

46.5%

The LMR became effective on 1st January 2015 to replace the liquidity ratio required by the repealed section 102 of the Hong Kong Banking Ordinance. The LMR is calculated as the simple average of each calendar month's average LMR for the six months of financial period of the Bank's Hong Kong offices, overseas branches, Shacom Investment Limited and Shacom Assets Investments Limited computed in accordance with the Banking (Liquidity) Rules.

30th June 2014

Liquidity ratio

45.8%

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.

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

The Group's liquidity management process, as carried out within the Group and monitored by management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position, liquidity maintenance ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

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

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 2 Non-bank mainland exposures

The Bank Types of counterparties	30th June 2015			31st December 2014		
	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	1,982,510	29,846	2,012,356	1,788,968	-	1,788,968
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	88,409	-	88,409	88,342	-	88,342
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	2,209,922	685,744	2,895,666	2,629,650	756,512	3,386,162
4. Other entities of central government not reported in item 1 above	377,731	-	377,731	38,785	-	38,785
5. Other entities of local governments not reported in item 2 above	-	-	-	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,565,691	1,303,537	4,869,228	3,753,422	1,582,343	5,335,765
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	536,032	-	536,032	618,823	-	618,823
<b>Total</b>	<b>8,760,295</b>	<b>2,019,127</b>	<b>10,779,422</b>	<b>8,917,990</b>	<b>2,338,855</b>	<b>11,256,845</b>
Total assets after provision	<b>152,213,559</b>			<b>144,037,531</b>		
On-balance sheet exposures as percentage of total assets	<b>5.76%</b>			<b>6.19%</b>		

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 3 Currency concentrations

The Group As at 30th June 2015	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long / (short) position	Net structural position
Equivalent in Hong Kong dollars						
US Dollars	62,974,000	(46,884,000)	17,129,000	(23,745,000)	9,474,000	5,715,000
Pound Sterling	3,167,000	(3,163,000)	38,000	(26,000)	16,000	16,000
Renminbi	20,546,000	(19,240,000)	6,503,000	(6,331,000)	1,478,000	1,303,000
Canadian Dollars	1,465,000	(1,475,000)	30,000	(18,000)	2,000	-
Australian Dollars	4,481,000	(4,485,000)	794,000	(783,000)	7,000	-
Other currencies and gold	2,495,000	(2,370,000)	911,000	(1,028,000)	8,000	-
	<u>95,128,000</u>	<u>(77,617,000)</u>	<u>25,405,000</u>	<u>(31,931,000)</u>	<u>10,985,000</u>	<u>7,034,000</u>
As at 31st December 2014	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net long / (short) position	Net structural position
Equivalent in Hong Kong dollars						
US Dollars	52,117,000	(44,072,000)	7,714,000	(11,324,000)	4,435,000	5,265,000
Pound Sterling	3,434,000	(3,419,000)	42,000	(35,000)	22,000	17,000
Renminbi	21,737,000	(20,309,000)	3,851,000	(3,410,000)	1,869,000	436,000
Canadian Dollars	1,437,000	(1,446,000)	25,000	(16,000)	-	-
Australian Dollars	5,055,000	(5,030,000)	550,000	(549,000)	26,000	-
Other currencies and gold	2,527,000	(2,487,000)	681,000	(730,000)	(9,000)	-
	<u>86,307,000</u>	<u>(76,763,000)</u>	<u>12,863,000</u>	<u>(16,064,000)</u>	<u>6,343,000</u>	<u>5,718,000</u>

Net structural positions include structural positions of the Bank's Hong Kong offices, overseas branches and subsidiaries.

Structural assets and liabilities include:

- investments in properties and equipment, net of depreciation;
- capital, statutory reserves and unremitted profits of overseas branches; and
- investments in overseas subsidiaries and related company.

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



## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 4 Loans and advances to customers

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

The Group	30th June 2015		31st December 2014	
	Gross loans and advances	Amount covered by collateral	Gross loans and advances	Amount covered by collateral
Loans for use in Hong Kong				
- Industrial, commercial and financial				
- Property development	2,801,338	1,979,079	2,781,546	1,684,362
- Property investment	9,443,937	8,914,860	10,026,879	9,624,875
- Financial concerns	1,220,701	1,205,783	1,221,779	1,196,911
- Stockbrokers	112,681	106,723	67,563	67,427
- Wholesale and retail trade	1,060,026	951,313	1,259,005	1,088,806
- Manufacturing	2,308,238	1,654,820	2,376,750	1,693,490
- Transport and transport equipment	906,910	714,681	786,089	593,007
- Recreational activities	293,177	233,830	316,809	257,860
- Information technology - telecommunication	92,472	91,260	90,324	88,935
- Hotels, boarding houses and catering	818,064	795,153	785,404	761,225
- Others	4,470,860	3,946,584	4,510,015	3,958,380
- 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	147,329	146,936	158,856	158,367
- Loans for the purchase of other residential properties	4,712,468	4,705,047	4,487,666	4,481,770
- Credit card advances	210,791	-	237,560	-
- Others	6,814,112	6,209,918	6,627,674	6,080,582
Trade finance	7,219,774	5,498,900	7,336,982	5,846,291
Loans for use outside Hong Kong	22,181,883	20,641,458	21,474,608	19,698,532
	<b>64,814,761</b>	<b>57,796,345</b>	<b>64,545,509</b>	<b>57,280,820</b>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 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, individually assessed impairment allowances and collectively assessed impairment allowances are analysed as follows:

The Group	30th June 2015			
	Impaired loans and advances	Overdue loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Industrial, commercial and financial - Property investment	<u>3,329</u>	<u>76,934</u>	<u>13</u>	<u>37,762</u>
	31st December 2014			
	Impaired loans and advances	Overdue loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Industrial, commercial and financial - Property investment	<u>12,557</u>	<u>184,277</u>	<u>37</u>	<u>40,057</u>

### 5 Loans and advances to customers by geographical segment

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

The Group	30th June 2015	31st December 2014
Hong Kong	<b>47,149,724</b>	48,825,692
Asia Pacific excluding Hong Kong	<b>4,312,638</b>	4,818,682
North and South America	<b>15,103,507</b>	13,374,463
Middle East and Africa	-	38
Europe	<b>437,942</b>	438,231
	<u><b>67,003,811</b></u>	<u>67,457,106</u>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 6 Impaired loans and advances to customers by geographical areas

The Group	30th June 2015		
	Individually assessed impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	173,490	20,116	-
Asia Pacific excluding Hong Kong	-	-	-
North America	234,196	934	-
	<u>407,686</u>	<u>21,050</u>	<u>-</u>

	31st December 2014		
	Individually assessed impaired loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	107,686	22,211	-
Asia Pacific excluding Hong Kong	3,319	3,317	-
North America	210,357	839	-
	<u>321,362</u>	<u>26,367</u>	<u>-</u>

### 7 Overdue loans and advances to customers by geographical area

The Group	30th June 2015		
	Overdue loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	574,799	16,062	2,089
Asia Pacific excluding Hong Kong	34,850	-	140
North America	113,600	34	421
Western Europe	16,961	-	68
	<u>740,210</u>	<u>16,096</u>	<u>2,718</u>

	31st December 2014		
	Overdue loans and advances	Individually assessed impairment allowances	Collectively assessed impairment allowances
Hong Kong	706,968	20,392	2,563
Asia Pacific excluding Hong Kong	50,631	3,317	190
North America	375,463	35	1,470
Western Europe	7,711	-	31
	<u>1,140,773</u>	<u>23,744</u>	<u>4,254</u>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 8 Loans and advances overdue for more than 3 months

(a) Gross amount of overdue loans and advances

The Group	30th June 2015		31st December 2014	
		% of gross loans and advances to customers		% of gross loans and advances to customers
Gross loans and advances which have been overdue for:				
- 6 months or less but over 3 months	72,214	0.11	9,239	0.01
- 1 year or less but over 6 months	59,052	0.09	12,632	0.02
- over 1 year	30,308	0.04	56,374	0.09
	<u>161,574</u>	<u>0.24</u>	<u>78,245</u>	<u>0.12</u>

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

The Group	30th June 2015	31st December 2014
Overdue loans and advances	161,574	78,245
Current market value of collateral	274,696	188,335
Covered portion by collateral	142,007	55,439
Uncovered portion by collateral	19,567	22,806
Individually assessed impairment allowances	16,049	23,192

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

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

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

The Group	30th June 2015		31st December 2014	
	19,746	0.03	8,334	0.01
Rescheduled loans and advances	<u>19,746</u>	<u>0.03</u>	<u>8,334</u>	<u>0.01</u>

(d) Repossessed assets

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

The Group	Carrying amount	
	30th June 2015	31st December 2014
Nature of assets		
Industrial property	-	497
Residential properties	<u>17,763</u>	<u>17,550</u>
	<u>17,763</u>	<u>18,047</u>

As at 30th June 2015, the fair value of the repossessed assets amounted to HK\$23,101,000 (31st December 2014: HK\$22,020,000).

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

### 9 International claims

The following table shows the Group's international claims by major countries or geographical segment, to which not less than 10% of the Group's total international claims. International claims disclose exposures to counterparties on which the ultimate risk lies, and are derived according to the location of the counterparties after taking into account any recognized risk transfer.

The Group As at 30th June 2015	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial sector	
Developed countries	9,279,000	240,000	139,000	613,000	10,271,000
Offshore centres	6,499,000	-	1,352,000	13,787,000	21,638,000
- of which Hong Kong	6,193,000	-	966,000	12,198,000	19,357,000
Developing Asia Pacific	59,240,000	164,000	66,000	3,011,000	62,481,000
- of which China	41,373,000	164,000	66,000	1,951,000	43,554,000
- of which Chinese Taipei	17,390,000	-	-	1,021,000	18,411,000

As at 31st December 2014	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial sector	
Developed countries	8,183,000	225,000	-	1,137,000	9,545,000
Offshore centres	8,311,000	-	853,000	14,502,000	23,666,000
- of which Hong Kong	7,685,000	-	647,000	12,014,000	20,346,000
Developing Asia Pacific	48,029,000	169,000	29,000	3,346,000	51,573,000
- of which China	37,496,000	169,000	29,000	2,563,000	40,257,000
- of which Chinese Taipei	10,413,000	-	-	763,000	11,176,000

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy

The calculation of the capital adequacy ratios as at 30th June 2015 and 31st December 2014 is based on the Banking (Capital) Rules ('BCR'). The capital adequacy ratios represent the consolidated ratios of the Bank's Hong Kong offices, overseas branches, Shacom Property (CA) Inc., Shacom Property (NY) Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Investments Limited, Silver Wisdom Investments Limited 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 2015.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
<b>Assets</b>		
Cash and balances with banks	29,940,070	29,938,361
Placements with and loans and advances to banks	24,841,153	24,841,153
Loans and advances to customers	66,721,221	66,721,221
Financial assets held for trading	445,156	406,850
Derivative financial instruments	114,338	114,338
Available-for-sale investments	30,801,736	30,686,755
Held-to-maturity investments	2,459,658	2,459,658
Investments in joint ventures	298,805	116,000
Investments in and amounts due from subsidiaries	-	912,028
Properties and equipment	3,480,713	2,742,446
Investment properties	5,122	33,425
Deferred income tax assets	41,851	41,811
Other assets	2,308,330	2,200,157
<b>Total assets</b>	<b>161,458,153</b>	<b>161,214,203</b>
<b>Liabilities</b>		
Deposits and balances from banks	5,384,103	5,384,103
Deposits from customers	130,357,639	130,357,639
Derivatives financial instruments	86,383	86,383
Amounts due to subsidiaries	-	230,755
Other liabilities	2,715,782	2,581,673
Provisions	74,662	73,678
Current income tax liabilities	192,260	190,551
Deferred income tax liabilities	374,172	374,037
<b>Total liabilities</b>	<b>139,185,001</b>	<b>139,278,819</b>
<b>Equity</b>		
Share capital	2,000,000	2,000,000
Retained earnings	10,147,943	9,880,923
Other reserves	10,058,668	10,054,461
Non-controlling interests	66,541	-
<b>Total equity</b>	<b>22,273,152</b>	<b>21,935,384</b>
<b>Total equity and liabilities</b>	<b>161,458,153</b>	<b>161,214,203</b>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 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 2015.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
<b>Assets</b>			
Cash and balances with banks	29,940,070	29,938,361	
Placements with and loans and advances to banks	24,841,153	24,841,153	
Loans and advances to customers	66,721,221	66,721,221	
<i>of which: collective impairment allowances reflected in regulatory capital</i>		261,540	(1)
Financial assets held for trading	445,156	406,850	
<i>of which: insignificant capital investments in financial sector entities exceeding 10% threshold</i>		5,899	(2)
Derivative financial instruments	114,338	114,338	
Available-for-sale investments	30,801,736	30,686,755	
<i>of which: insignificant capital investments in financial sector entities exceeding 10% threshold</i>		1,389,107	(3)
Held-to-maturity investments	2,459,658	2,459,658	
Investments in joint ventures	298,805	116,000	
Investments in and amounts due from subsidiaries	-	912,028	
Properties and equipment	3,480,713	2,742,446	
Investment properties	5,122	33,425	
Deferred income tax assets	41,851	41,811	(4)
Other assets	2,308,330	2,200,157	
<b>Total assets</b>	<b>161,458,153</b>	<b>161,214,203</b>	
<b>Liabilities</b>			
Deposits and balances from banks	5,384,103	5,384,103	
Deposits from customers	130,357,639	130,357,639	
Derivatives financial instruments	86,383	86,383	
Amounts due to subsidiaries	-	230,755	
Other liabilities	2,715,782	2,581,673	
Provisions	74,662	73,678	
Current income tax liabilities	192,260	190,551	
Deferred income tax liabilities	374,172	374,037	
<b>Total liabilities</b>	<b>139,185,001</b>	<b>139,278,819</b>	
<b>Equity</b>			
Share capital	2,000,000	2,000,000	
<i>of which: paid-in share capital</i>		2,000,000	(5)
Retained earnings	10,147,943	9,880,923	
<i>of which: retained earnings</i>		9,880,923	(6)
Other reserves	10,058,668	10,054,461	
<i>of which: accumulated other comprehensive income (loss), other than regulatory reserve</i>		9,355,832	(7)
<i>regulatory reserve</i>		698,629	(8)
Non-controlling interests	66,541	-	
<b>Total equity</b>	<b>22,273,152</b>	<b>21,935,384</b>	
<b>Total equity and liabilities</b>	<b>161,458,153</b>	<b>161,214,203</b>	



## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 30th June 2015 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	9,880,923	(6)
3	Disclosed reserves	10,054,461	(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	<b>CET1 capital before regulatory deductions</b>	<b>21,935,384</b>	
<b>CET1 capital: regulatory deductions</b>			
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	41,811	(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)	1,302,974	(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	698,629	
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	698,629	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>CET1 capital: regulatory deductions (Continued)</b>			
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	<b>Total regulatory deductions to CET1 capital</b>	<b>2,043,414</b>	
29	<b>CET1 capital</b>	<b>19,891,970</b>	
<b>AT1 capital: instruments</b>			
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	<b>AT1 capital before regulatory deductions</b>	-	
<b>AT1 capital: regulatory deductions</b>			
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	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	-	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	<b>19,891,970</b>	
<b>Tier 2 capital: instruments and provisions</b>			
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	960,169	(1) + (8)
51	<b>Tier 2 capital before regulatory deductions</b>	<b>960,169</b>	

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>Tier 2 capital: regulatory deductions</b>			
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)	92,032	(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	<b>Total regulatory deductions to Tier 2 capital</b>	<b>92,032</b>	
58	<b>Tier 2 capital</b>	<b>868,137</b>	
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	<b>20,760,107</b>	
60	<b>Total risk weighted assets</b>	<b>112,333,330</b>	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	CET1 capital ratio	17.7%	
62	Tier 1 capital ratio	17.7%	
63	Total capital ratio	18.5%	
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)	4.5%	
65	of which: capital conservation buffer requirement	0.0%	
66	of which: bank specific countercyclical buffer requirement	0.0%	
67	of which: G-SIB and D-SIB buffer requirement	0.0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	13.2%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	2,119,494	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	396,950	
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

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	960,169	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	1,284,784	
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	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
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
	<b>Deferred tax assets net of deferred tax liabilities ('DTA')</b>	<b>41,811</b>	-
10	<p>Explanation</p> <p>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.</p> <p>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.</p>		
<p>Remarks:</p> <p>The amount of the 10%/15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.</p>			

#### Abbreviations:

CET1 = Common Equity Tier 1

AT1 = Additional Tier 1

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 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 2014.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
<b>Assets</b>		
Cash and balances with banks	29,103,861	29,094,650
Placements with and loans and advances to banks	23,720,240	23,720,240
Loans and advances to customers	67,168,827	67,168,827
Financial assets held for trading	420,760	398,923
Derivative financial instruments	102,243	102,243
Available-for-sale investments	25,273,309	25,158,298
Held-to-maturity investments	2,465,840	2,465,840
Investments in joint ventures	259,628	116,000
Investments in and amounts due from subsidiaries	-	188,181
Properties and equipment	2,657,913	2,635,451
Investment properties	5,178	33,671
Deferred income tax assets	44,120	44,016
Other assets	1,246,594	1,193,541
<b>Total assets</b>	<b>152,468,513</b>	<b>152,319,881</b>
<b>Liabilities</b>		
Deposits and balances from banks	7,318,807	7,318,807
Deposits from customers	121,393,482	121,393,482
Derivatives financial instruments	82,527	82,527
Amounts due to subsidiaries	-	254,665
Other liabilities	1,453,624	1,347,217
Provisions	95,132	94,554
Current income tax liabilities	92,199	91,612
Deferred income tax liabilities	289,174	289,174
<b>Total liabilities</b>	<b>130,724,945</b>	<b>130,872,038</b>
<b>Equity</b>		
Share capital	2,000,000	2,000,000
Retained earnings	10,058,664	9,828,772
Other reserves	9,620,510	9,619,071
Non-controlling interests	64,394	-
<b>Total equity</b>	<b>21,743,568</b>	<b>21,447,843</b>
<b>Total equity and liabilities</b>	<b>152,468,513</b>	<b>152,319,881</b>

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 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 2014.

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
<b>Assets</b>			
Cash and balances with banks	29,103,861	29,094,650	
Placements with and loans and advances to banks	23,720,240	23,720,240	
Loans and advances to customers	67,168,827	67,168,827	
<i>of which: collective impairment allowances reflected in regulatory capital</i>		261,912	(1)
Financial assets held for trading	420,760	398,923	
<i>of which: insignificant capital investments in financial sector entities exceeding 10% threshold</i>		9,479	(2)
Derivative financial instruments	102,243	102,243	
Available-for-sale investments	25,273,309	25,158,298	
<i>of which: insignificant capital investments in financial sector entities exceeding 10% threshold</i>		967,437	(3)
Held-to-maturity investments	2,465,840	2,465,840	
Investments in joint ventures	259,628	116,000	
Investments in and amounts due from subsidiaries	-	188,181	
Properties and equipment	2,657,913	2,635,451	
Investment properties	5,178	33,671	
Deferred income tax assets	44,120	44,016	(4)
Other assets	1,246,594	1,193,541	
<b>Total assets</b>	<b>152,468,513</b>	<b>152,319,881</b>	
<b>Liabilities</b>			
Deposits and balances from banks	7,318,807	7,318,807	
Deposits from customers	121,393,482	121,393,482	
Derivatives financial instruments	82,527	82,527	
Amounts due to subsidiaries	-	254,665	
Other liabilities	1,453,624	1,347,217	
Provisions	95,132	94,554	
Current income tax liabilities	92,199	91,612	
Deferred income tax liabilities	289,174	289,174	
<b>Total liabilities</b>	<b>130,724,945</b>	<b>130,872,038</b>	
<b>Equity</b>			
Share capital	2,000,000	2,000,000	
<i>of which: paid-in share capital</i>		2,000,000	(5)
Retained earnings	10,058,664	9,828,772	
<i>of which: retained earnings</i>		9,828,772	(6)
Other reserves	9,620,510	9,619,071	
<i>of which: accumulated other comprehensive income (loss), other than regulatory reserve</i>		8,920,474	(7)
<i>regulatory reserve</i>		698,597	(8)
Non-controlling interests	64,394	-	
<b>Total equity</b>	<b>21,743,568</b>	<b>21,447,843</b>	
<b>Total equity and liabilities</b>	<b>152,468,513</b>	<b>152,319,881</b>	

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

The Bank has already applied full capital deductions under the BCR. The Capital Disclosures Template as at 31st December 2014 is shown below.

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(5)
2	Retained earnings	9,828,772	(6)
3	Disclosed reserves	9,619,071	(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	<b>CET1 capital before regulatory deductions</b>	21,447,843	
<b>CET1 capital: regulatory deductions</b>			
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	44,016	(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)	873,031	(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	698,597	
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	698,597	(8)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>CET1 capital: regulatory deductions (Continued)</b>			
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	<b>Total regulatory deductions to CET1 capital</b>	<b>1,615,644</b>	
29	<b>CET1 capital</b>	<b>19,832,199</b>	
<b>AT1 capital: instruments</b>			
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	<b>AT1 capital before regulatory deductions</b>	<b>-</b>	
<b>AT1 capital: regulatory deductions</b>			
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	<b>Total regulatory deductions to AT1 capital</b>	<b>-</b>	
44	<b>AT1 capital</b>	<b>-</b>	
45	<b>Tier 1 capital (Tier 1 = CET1 + AT1)</b>	<b>19,832,199</b>	
<b>Tier 2 capital: instruments and provisions</b>			
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	960,509	(1) + (8)
51	<b>Tier 2 capital before regulatory deductions</b>	<b>960,509</b>	



## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>Tier 2 capital: regulatory deductions</b>			
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)	103,885	(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	<b>Total regulatory deductions to Tier 2 capital</b>	<b>103,885</b>	
58	<b>Tier 2 capital</b>	<b>856,624</b>	
59	<b>Total capital (Total capital = Tier 1 + Tier 2)</b>	<b>20,688,823</b>	
60	<b>Total risk weighted assets</b>	<b>108,627,831</b>	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61	CET1 capital ratio	18.3%	
62	Tier 1 capital ratio	18.3%	
63	Total capital ratio	19.0%	
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)	4.5%	
65	of which: capital conservation buffer requirement	0.0%	
66	of which: bank specific countercyclical buffer requirement	0.0%	
67	of which: G-SIB and D-SIB buffer requirement	0.0%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	13.8%	
<b>National minima (if different from Basel 3 minimum)</b>			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	2,070,523	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	389,881	
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

### 10 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
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)	960,509	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	1,247,689	
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	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
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
	<b>Deferred tax assets net of deferred tax liabilities ('DTA')</b>	<b>44,016</b>	<b>-</b>
10	<p>Explanation</p> <p>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.</p> <p>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.</p>		
	<p>Remarks:</p> <p>The amount of the 10%/15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.</p>		

#### Abbreviations:

CET1 = Common Equity Tier 1  
AT1 = Additional Tier 1

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 10 Capital structure and adequacy (Continued)

The Main Features Template as at 30th June 2015 and 31st December 2014 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 <sup>‡</sup>	NA
5	Post-transitional Basel III rules <sup>+</sup>	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$2,000
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1951, 1968, 1969, 1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Footnotes:

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

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

\* Include solo-consolidated

NA Not applicable

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 11 Leverage ratio

The leverage ratios represent the consolidated ratios computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the Summary Comparison Table as at 30th June 2015 and 31st December 2014.

Item	Leverage ratio framework	
	30th June 2015	31st December 2014
1 Total consolidated assets as per published financial statements	<b>161,458,153</b>	152,468,513
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	<b>(243,950)</b>	(148,632)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4 Adjustments for derivative financial instruments	<b>302,861</b>	154,172
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	<b>7,751,309</b>	15,345,784
7 Other adjustments	<b>(1,781,874)</b>	(1,353,732)
<b>8 Leverage ratio exposure</b>	<b>167,486,499</b>	166,466,105

The Leverage Ratio Common Disclosure Template as at 30th June 2015 and 31st December 2014 is shown below:

Item	Leverage ratio framework	
	30th June 2015	31st December 2014
<b>On-balance sheet exposures</b>		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	<b>161,361,405</b>	152,479,550
2 Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	<b>(2,043,414)</b>	(1,615,644)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	<b>159,317,991</b>	150,863,906
<b>Derivative exposures</b>		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	<b>114,338</b>	102,243
5 Add-on amounts for PFE associated with all derivatives transactions	<b>302,861</b>	154,172
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7 Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-	-
8 Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-
10 Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-	-
11 Total derivative exposures (sum of lines 4 to 10)	<b>417,199</b>	256,415

## APPENDIX - UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 11 Leverage ratio (Continued)

Item	Leverage ratio framework		
	30th June 2015	31st December 2014	
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	<b>40,171,423</b>	45,057,231
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	<b>(32,420,114)</b>	(29,711,447)
19	Off-balance sheet items (sum of lines 17 and 18)	<b>7,751,309</b>	15,345,784
<b>Capital and total exposures</b>			
20	Tier 1 capital	<b>19,891,970</b>	19,832,199
21	Total exposures (sum of lines 3, 11, 16 and 19)	<b>167,486,499</b>	166,466,105
<b>Leverage ratio</b>			
22	<b>Basel III leverage ratio</b>	<b>11.88%</b>	11.91%

Abbreviations:

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

## REVIEW OF OPERATIONS

For the first six months of 2015, Shanghai Commercial Bank Limited (“the Bank”) reported a consolidated profit after tax of HK\$1,032.5 million, an increase of HK\$87.1 million or 9.2%, as compared with the same period last year. Net fee and commission income rose favourably by 29.1% while net interest income increased by 1.4%. The overall loan-to-deposit ratio decreased from 55.6% at the end of 2014 to 51.4%, as customers’ deposits increased by 7.4% to HK\$130.4 billion and loans and advances outstanding declined by 0.7% to HK\$67 billion. Average net interest margin at 1.69% was 11 basis points lower than the 1.80% at the same period last year and 12 basis points lower than the 2014 yearly average of 1.81%, due to the reduction in interest spread from interbank placement. The cost-to-income ratio was 33.6% as compared to the previous yearly average of 33.8%.

The total comprehensive income attributable to equity holders of HK\$1,467.4 million as at the end of June 2015 was HK\$505.1 million or 52.5% higher than the same period last year. This was due mainly to increase in unrealized revaluation gains from debt and equity investments. Total assets at HK\$161.5 billion and shareholders’ funds at HK\$22.2 billion were 5.9% and 2.4% higher as compared with last year end. The Bank’s average liquidity maintenance ratio at 46.5% and capital adequacy ratio at 18.5% were both at comfortable levels.

The Bank launched several new products and services offering customers convenience and cost savings when making online purchases. They included Alipay® Bank Account Express Payment™ Service, UnionPay dual currency diamond credit card and Near Field Communication contactless payment. In the second half, we will roll out a new website with the aim to improve customer browsing experience and transaction convenience. The Bank will continue to strengthen and upgrade the manpower resources in technology and risk management in order to excel in digital banking, enhance data analytics and to reinforce information security, given the increasing cyber and fraud risks faced by the industry.

In addition to the Shenzhen branch, our Shanghai branch is now able to transact Renminbi business following the latest approval from the China Banking Regulatory Commission. We are expanding our resources in order to further improve our business coverage and presence in Mainland China.

The Bank is the 2015 – 2017 title sponsor for the Shanghai Commercial Pok Oi Cycle for Millions, a well-supported cycling event which takes place annually in the New Territories. While we are participating in other notable activities organized by the Community Chest, the colleagues have also dedicated time and passion in caring for the elderly and under privileged children through various charitable programs and activities. Corporate Social Responsibility has become a culture of the Bank.

The Head Office redevelopment project is progressing on schedule with expected occupancy by the third quarter of 2016. We have also completed the acquisition of three adjoining floors at Kowloon Commerce Centre in Kwai Chung, with a total gross floor area of 78,348 sq ft, for consolidating and streamlining our middle and backend operations and supporting units.

## 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

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHANGHAI COMMERCIAL BANK LIMITED (incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 1 to 35, which comprises the condensed consolidated statement of financial position of Shanghai Commercial Bank Limited (the 'Bank') and its subsidiaries (together, the 'Group') as at 30th June 2015 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

### Other matter

The interim financial information includes comparative information as required by Hong Kong Accounting Standard 34 'Interim Financial Reporting'. The comparative information for the condensed consolidated statement of financial position is based on the audited financial statements as at 31st December 2014. The comparative information for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows, and related explanatory notes, for the six-month period ended 30th June 2014 has not been audited or reviewed.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 17th August, 2015