

Regulatory disclosure
Reconciliation between the Group's accounting and regulatory balance sheets

	At 30 June 2014		At 31 December 2013	
	Balance sheet in published unaudited financial statements HK\$ '000	Under regulatory scope of consolidation HK\$ '000	Balance sheet in published financial statements HK\$ '000	Under regulatory scope of consolidation HK\$ '000
ASSETS				
Cash and cash equivalents	304,921	300,465	303,806	302,297
Placements with banks and other financial institutions maturing between one and twelve months	255,211	249,088	253,192	247,119
Derivative financial instruments	0	0	15	15
Available-for-sale investments	15,476	15,476	23,242	23,242
Advances and other accounts	919,076	917,120	917,410	914,911
Trade Bills	0	0	0	0
Investment in a subsidiary	0	1,000	0	1,000
Investment property	48,000	48,000	48,000	48,000
Property and equipment	32,138	32,138	32,609	32,609
Deferred tax assets	4,862	4,862	4,862	4,862
Total assets	1,579,684	1,568,149	1,583,136	1,574,055
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits and balances of banks and other financial institutions	41,762	41,762	60,227	60,227
Deposits from customers	1,154,175	1,154,175	1,147,074	1,147,074
Derivative financial instruments	82	82	3	3
Other accounts and payables	11,559	6,877	13,056	9,283
Total liabilities	1,207,578	1,202,896	1,220,360	1,216,587
EQUITY				
Share capital	185,700	185,700	185,700	185,700
Reserves	186,406	179,553	177,076	171,768
Total equity	372,106	365,253	362,776	357,468
Total equity and liabilities	1,579,684	1,568,149	1,583,136	1,574,055

Regulatory disclosure
Reconciliation between the Group's unaudited accounting and regulatory balance sheets (Continued)

	At 30 June 2014		Cross reference to Definition of Capital Components
	Balance sheet in published unaudited financial statements	Under regulatory scope of consolidation	
	HK\$ '000	HK\$ '000	
ASSETS			
Cash and cash equivalents	304,921	300,465	
Placements with banks and other financial institutions maturing between one and twelve months	255,211	249,088	
Derivative financial instruments	0	0	
Available-for-sale investments	15,476	15,476	
Advances and other accounts	919,076	917,120	
<i>of which : collective impairment allowances reflected in regulatory capital</i>		(1,764)	(1)
Trade Bills	0	0	
Investment in a subsidiary	0	1,000	
Investment property	48,000	48,000	
<i>of which : cumulative revaluation gains on land and buildings</i>		21,555	(2)
Property and equipment	32,138	32,138	
Deferred tax assets	4,862	4,862	(3)
Total assets	1,579,684	1,568,149	
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances of banks and other financial institutions	41,762	41,762	
Deposits from customers	1,154,175	1,154,175	
Derivative financial instruments	82	82	
Other accounts and payables	11,559	6,877	
Total liabilities	1,207,578	1,202,896	
EQUITY			
Share capital	185,700	185,700	
<i>of which : fully paid up share capital</i>		124,209	(4)
<i>partly paid up share capital</i>		40,791	(5)
<i>non-cumulative and non-redeemable preference shares</i>		20,700	(6)
Reserves	186,406	179,553	
<i>of which : retained earnings</i>		155,534	(7)
<i>audited profit of the current financial year</i>		7,804	(8)
<i>collective impairment reserve</i>		9,233	(9)
<i>general reserve</i>		7,000	(10)
<i>available-for-sale investment reserve</i>		(18)	(11)
Total equity	372,106	365,253	
Total equity and liabilities	1,579,684	1,568,149	

Reconciliation between the Group's accounting and regulatory balance sheets (Continued)

	At 31 December 2013		Cross reference to Definition of Capital Components
	Balance sheet in published financial statements HK\$ '000	Under regulatory scope of consolidation HK\$ '000	
<u>ASSETS</u>			
Cash and cash equivalents	303,806	302,297	
Placements with banks and other financial institutions maturing between one and twelve months	253,192	247,119	
Derivative financial instruments	15	15	
Available-for-sale investments	23,242	23,242	
Advances and other accounts	917,410	914,911	
<i>of which : collective impairment allowances reflected in regulatory capital</i>		(1,764)	(1)
Trade Bills	0	0	
Investment in a subsidiary	0	1,000	
Investment property	48,000	48,000	
<i>of which : cumulative revaluation gains on land and buildings</i>		21,555	(2)
Property and equipment	32,609	32,609	
Deferred tax assets	4,862	4,862	(3)
Total assets	<u>1,583,136</u>	<u>1,574,055</u>	
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Deposits and balances of banks and other financial institutions	60,227	60,227	
Deposits from customers	1,147,074	1,147,074	
Derivative financial instruments	3	3	
Other accounts and payables	13,056	9,283	
Total liabilities	<u>1,220,360</u>	<u>1,216,587</u>	
<u>EQUITY</u>			
Share capital	185,700	185,700	
<i>of which : fully paid up share capital</i>		124,209	(4)
<i>partly paid up share capital</i>		40,791	(5)
<i>non-cumulative and non-redeemable preference shares</i>		20,700	(6)
Reserves	177,076	171,768	
<i>of which : retained earnings</i>		131,877	(7)
<i>audited profit of the current financial year</i>		23,657	(8)
<i>collective impairment reserve</i>		9,233	(9)
<i>general reserve</i>		7,000	(10)
<i>available-for-sale investment reserve</i>		1	(11)
Total equity	<u>362,776</u>	<u>357,468</u>	
Total equity and liabilities	<u>1,583,136</u>	<u>1,574,055</u>	

Regulatory disclosure
As at 30 June 2014

Reconciliation between the Group's accounting and regulatory balance sheets (*continued*)

Capital Disclosures Template

		HK\$ '000	
CET1 capital: instruments and reserves			Cross referenced*
1	Directly issued qualifying CET1 capital instruments plus any related share premium	165,000	(4) + (5)
2	Retained earnings	163,338	(7) + (8)
3	Disclosed reserves	6,982	(10) + (11)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	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)	0	
6	CET1 capital before regulatory deductions	335,320	
CET1 capital: regulatory deductions			
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	0	
10	Deferred tax assets net of deferred tax liabilities	4,862	(3)
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Gain-on-sale arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
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)	0	
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)	0	
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	21,555	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	21,555	(2)
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the Monetary Authority	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	26,417	
29	CET1 capital	308,903	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	16,560	(6)
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
36	AT1 capital before regulatory deductions	16,560	



AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
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)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	16,560	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	325,463	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
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)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,997	(1) + (9)
51	Tier 2 capital before regulatory deductions	10,997	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	
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)	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(9,700)	
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	(9,700)	(2) x 45%
57	Total regulatory deductions to Tier 2 capital	(9,700)	
58	Tier 2 capital	20,697	
59	Total capital (Total capital = Tier 1 + Tier 2)	346,160	

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Footnote :

* Cross-referenced to audited Financial Position

Regulatory disclosure

As at 31 December 2013

Reconciliation between the Group's accounting and regulatory balance sheets (continued)
Capital Disclosures Template

		HK\$ '000	
CET1 capital: instruments and reserves			Cross referenced*
1	Directly issued qualifying CET1 capital instruments plus any related share premium	165,000	(4) + (5)
2	Retained earnings	155,534	(7) + (8)
3	Disclosed reserves	7,001	(10) + (11)
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	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)	0	
6	CET1 capital before regulatory deductions	327,535	
CET1 capital: regulatory deductions			
7	Valuation adjustments	0	
8	Goodwill (net of associated deferred tax liability)	0	
9	Other intangible assets (net of associated deferred tax liability)	0	
10	Deferred tax assets net of deferred tax liabilities	4,862	(3)
11	Cash flow hedge reserve	0	
12	Excess of total EL amount over total eligible provisions under the IRB approach	0	
13	Gain-on-sale arising from securitization transactions	0	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0	
17	Reciprocal cross-holdings in CET1 capital instruments	0	
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)	0	
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)	0	
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	21,555	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	21,555	(2)
26b	Regulatory reserve for general banking risks	0	
26c	Securitization exposures specified in a notice given by the Monetary Authority	0	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0	
26e	Capital shortfall of regulated non-bank subsidiaries	0	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0	
28	Total regulatory deductions to CET1 capital	26,417	
29	CET1 capital	301,118	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	16,560	(6)
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
36	AT1 capital before regulatory deductions	16,560	



AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	0	
38	Reciprocal cross-holdings in AT1 capital instruments	0	
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)	0	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
41	National specific regulatory adjustments applied to AT1 capital	0	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0	
43	Total regulatory deductions to AT1 capital	0	
44	AT1 capital	16,560	
45	Tier 1 capital (Tier 1 = CET1 + AT1)	317,678	
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	0	
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0	
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)	0	
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,997	(1) + (9)
51	Tier 2 capital before regulatory deductions	10,997	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	0	
53	Reciprocal cross-holdings in Tier 2 capital instruments	0	
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)	0	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0	
56	National specific regulatory adjustments applied to Tier 2 capital	(9,700)	
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	(9,700)	(2) x 45%
57	Total regulatory deductions to Tier 2 capital	(9,700)	
58	Tier 2 capital	20,697	
59	Total capital (Total capital = Tier 1 + Tier 2)	338,375	

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Footnote :

* Cross-referenced to audited Financial Position