

**Allied Banking Corporation (Hong Kong) Limited,**  
a restricted licence bank  
(Incorporated in Hong Kong)

2013 Interim Report

The Directors of Allied Banking Corporation (Hong Kong) Limited are pleased to announce the unaudited consolidated results of the company and its subsidiary, ACR Nominees Limited for the period from 1 January 2013 to 30 June 2013 as follows:-

**UNAUDITED CONSOLIDATED STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	<u>30/6/2013</u>	<u>30/6/2012</u>
	HK\$'000	HK\$'000
Interest income	18,894	17,434
Interest expenses	(2,644)	(2,605)
	<hr/>	<hr/>
Net interest income	16,250	14,829
Commission income	832	933
Other operating income	3,746	4,519
	<hr/>	<hr/>
Operating income	20,828	20,281
Operating expenses	(13,846)	(13,554)
	<hr/>	<hr/>
Operating profit before impairment losses	6,982	6,727
Write-back impairment losses on loans and advances	3,602	1,000
	<hr/>	<hr/>
Profit before taxation	10,584	7,727
Hong Kong profits tax	-	-
	<hr/>	<hr/>
Profit for the period	<u>10,584</u>	<u>7,727</u>

There were no recognised gains or losses other than the net profit / (loss) for the period. There were also no significant changes relating to the activities and profit / (loss) of the company during the relevant period.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	<u>30/6/2013</u>	<u>30/6/2012</u>
	HK\$'000	HK\$'000
Profit for the period	10,584	7,727
Other Comprehensive Income		
Changes in fair value of available-for-sale investments	<u>66</u>	<u>3,397</u>
Total comprehensive income for the period	<u><u>10,650</u></u>	<u><u>11,124</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

	NOTE	30/6/2013 HK\$'000	31/12/2012 HK\$'000
<b><u>ASSETS</u></b>			
Cash and short-term funds		320,269	301,013
Placements with banks and other financial institutions maturing between one and twelve months		271,939	230,833
Derivative financial instruments	3	12	10
Available-for-sale financial assets	4	38,602	58,860
Advances and other accounts		842,193	824,358
Trade Bills		0	1,794
Deferred tax asset		5,688	5,688
Investment property		45,500	45,500
Property and equipment		32,966	33,492
		<u>1,557,169</u>	<u>1,501,548</u>
Total assets		<u>1,557,169</u>	<u>1,501,548</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES</b>			
Deposits and balances from banks and other financial institutions		57,919	53,365
Deposits from customer		1,136,503	1,099,498
Derivative financial instruments	3	9	118
Other accounts and provisions		13,223	9,702
		<u>1,207,654</u>	<u>1,162,683</u>
Total liabilities		<u>1,207,654</u>	<u>1,162,683</u>
<b>EQUITY</b>			
Share capital		185,700	185,700
Reserves		163,815	153,165
		<u>349,515</u>	<u>338,865</u>
Total equity		<u>349,515</u>	<u>338,865</u>
Total equity and liabilities		<u>1,557,169</u>	<u>1,501,548</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Issued Capital HK\$'000	General Reserve HK\$'000	Investment Revaluation Reserve HK\$'000	Collective Impairment Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
At 31 December 2011 & 1 January 2012 as previously reported	185,700	7,000	(4,748)	1,945	126,759	316,656
Prior year adjustment	0	0	0	0	3,144	3,144
At 31 December 2011 & 1 January 2012, as restated	185,700	7,000	(4,748)	1,945	129,903	319,800
Profit for the year	0	0	0	0	15,544	15,544
Other comprehensive income for the year : Change in fair value of AFS investments, net of tax	0	0	4,556	0	0	4,556
Total comprehensive income for the year	0	0	4,556	0	15,544	20,100
2012 preference shares dividend	0	0	0	0	(1,035)	(1,035)
Transfer from retained profits	0	0	0	2,279	(2,279)	0
At 31 December 2012	185,700	7,000	(192)	4,224	142,133	338,865
Profit for the year	0	0	0	0	10,584	10,584
Other comprehensive income for the year : Change in fair value of AFS investments, net of tax	0	0	66	0	0	66
Total comprehensive income for the year	0	0	66	0	10,584	10,650
2013 preference shares dividend	0	0	0	0	0	0
Transfer from retained profits	0	0	0	657	(657)	0
At 30 June 2013	185,700	7,000	(126)	4,881	152,060	349,515

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

	THE COMPANY	
	30/6/2013	31/12/2012
	HK\$'000	HK\$'000
Advances to customers	841,076	826,839
Individual impairment allowances against advances to customers	(85)	(128)
Collective impairment allowances	(6116)	(6773)
Other accounts	5,167	4,411
	<u>840,042</u>	<u>824,349</u>

1. ADVANCES AND OTHER ACCOUNTS

ADVANCES TO CUSTOMERS

	THE COMPANY		THE COMPANY	
	30/6/2013	31/12/2012	30/6/2013	31/12/2012
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
Loans for use in				
Hong Kong	763,748	745,076	90.81	90.11
Philippines	23,432	25,030	2.79	3.03
People's Republic of China	53,896	56,733	6.40	6.86
	<u>841,076</u>	<u>826,839</u>	<u>100.00</u>	<u>100.00</u>

## IMPAIRED ASSETS

	THE COMPANY		THE COMPANY	
	30/6/2013	31/12/2012	30/6/2013	31/12/2012
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
<u>Loans for use in Hong Kong</u>				
Gross amount of impaired loans	273	1,768	0.03	0.21
Individual impairment allowances made against such advances	(85)	(128)		
	<u>188</u>	<u>1,640</u>		
<u>Loans for use in People's Republic of China</u>				
Gross amount of impaired loans	0	0	0.00	0.00
Individual impairment allowances made against such advances	0	0		
	<u>0</u>	<u>0</u>		
<u>Total impaired assets</u>				
Gross amount of impaired loans	273	1,768	0.03	0.21
Individual impairment allowances made against such advances	(85)	(128)		
	<u>188</u>	<u>1,640</u>		
Fair value of collateral	<u>0</u>	<u>1,446</u>		

## OVERDUE AND RESCHEDULED ASSETS

### OVERDUE ADVANCES

	THE COMPANY		THE COMPANY	
	30/6/2013	31/12/2012	30/6/2013	31/12/2012
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
<u>Loans for use in Hong Kong</u>				
Gross amount of advances which have been overdue for:				
Six months or less but over three months	0	0	0.00	0.00
One year or less but over six months	0	0	0.00	0.00
Over one year	31	1,514	0.00	0.18
	<u>31</u>	<u>1,514</u>		
<u>Loans for use in People's Republic of China</u>				
Gross amount of advances which have been overdue for:				
Over one year	<u>0</u>	<u>0</u>	0.00	0.00
<u>Total overdue advances</u>	<u>31</u>	<u>1,514</u>		

As at 30 June 2013 and 31 December 2012, there were no advances to banks and other financial institutions which were overdue for three months or less.

The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	THE COMPANY	
	30/6/2013	31/12/2012
	HK\$'000	HK\$'000
Current market value of collateral held against the covered portion of overdue loans and advances	<u>0</u>	<u>11,847</u>
Covered portion of overdue loans and advances	<u>0</u>	<u>1,446</u>
Uncovered portion of overdue loans and advances	<u>31</u>	<u>68</u>

## RESCHEDULED ADVANCES

All rescheduled advances to customers were made to customers who are located in Hong Kong.

	THE COMPANY		THE COMPANY	
	30/6/2013	31/12/2012	30/6/2013	31/12/2012
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
Rescheduled advances to customers	0	0	0	0

As at 30 June 2013 and 31 December 2012, there were no rescheduled advances to banks and other financial institutions.

## NON-BANK MAINLAND EXPOSURES

The following table illustrates the disclosure required to be made in respect of the Company's Mainland exposures to non-bank counterparties :

	30/6/2013			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### Type of counterparties

#### Mainland entities

Compaines and individuals outside the Mainland where the credit is granted for use in the Mainland

53,896	0	53,896	0
<u>53,896</u>	<u>0</u>	<u>53,896</u>	<u>0</u>

	31/12/2012			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### Type of counterparties

#### Mainland entities

Compaines and individuals outside the Mainland where the credit is granted for use in the Mainland

56,733	0	56,733	0
<u>56,733</u>	<u>0</u>	<u>56,733</u>	<u>0</u>



## 2. OFF-BALANCE SHEET EXPOSURES

### A. Contingent liabilities and commitments

	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
Contractual amounts		
Direct credit substitutes	0	232
Trade-related contingencies	16,417	4,041
Other commitments:		
With an original maturity of under one year or which are unconditionally cancellable	29,636	23,212
With an original maturity of one year and over	<u>513</u>	<u>3,500</u>
	<u>46,566</u>	<u>30,985</u>
 Aggregate credit risk weighted amounts	 <u>3,540</u>	 <u>2,790</u>

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default.

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

### B. Derivatives

	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
Notional amounts of derivatives		
Exchange rate contracts	<u>76,991</u>	<u>108,548</u>
 Aggregate credit risk weighted amounts	 <u>124</u>	 <u>150</u>
 Aggregate replacement costs	 <u>28</u>	 <u>16</u>

The notional amounts of these derivatives indicate the volume of transactions outstanding at the balance sheet date, but they do not represent amounts at risk. No hedge accounting was adopted.

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

### 3. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
Derivative financial instruments (not under hedge accounting)		
Forward foreign exchange contracts (at fair value)		
-Assets	12	10
-Liabilities	<u>(9)</u>	<u>(118)</u>
	<u>3</u>	<u>(108)</u>

The Company utilises currency derivatives to hedge significant future transactions and cash flows. The Company is a party to a variety of foreign currency forward contracts for the sake of management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets.

As at the balance sheet date, all derivatives are stated at fair value. Fair value is determined based on quoted market price.

### 4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
Certificates of deposit		
Unlisted	<u>38,602</u>	<u>58,860</u>
Issued by:		
Banks and other financial institutions	<u>38,602</u>	<u>58,860</u>

As at the balance sheet date, all available-for-sale financial assets are stated at fair value. Fair value of the financial assets has been determined by reference to bid prices quoted in active markets. Under circumstances without quoted prices, the fair value is determined by the qualified personnel using reasonable valuation models.

## 5. SEGMENTAL INFORMATION

The company's total operating income, profit / (loss) before taxation, total assets, total liabilities and contingent liabilities and commitments derived predominantly in Hong Kong. Loans for use outside Hong Kong constitute more than 10% of the total gross amount of advances to customers; hence, such amounts by individual country or geographical area are also disclosed.

	30/6/2013		31/12/2012	
	Gross advances HK\$'000	% of gross advances covered by collateral	Gross advances HK\$'000	% of gross advances covered by collateral
<u>Loans for use in Hong Kong</u>				
Industrial, commercial and financial				
- Property investment	283,398	100.00%	290,966	100.00%
- Wholesale and retail trade	74,096	100.00%	79,069	81.03%
- Manufacturing	97,298	100.00%	68,882	99.82%
- Transport and transport equipment	12,343	100.00%	11,664	100.00%
- Information technology	0	0.00%	0	0.00%
- Stockbrokers	0	0.00%	0	0%
- Others	18,889	99.84%	5,136	98.67%
Individuals				
- Loans for purchase of other residential properties	135,573	100.00%	119,879	100.00%
- Others	104,020	99.77%	101,968	85.86%
<u>Total loans for use in Hong Kong</u>	<u>725,617</u>		<u>677,564</u>	
<u>Trade finance</u>	<u>38,131</u>	63.32%	<u>67,512</u>	47.37%
<u>Loans for use outside Hong Kong</u>				
Philippines	23,432	100.00%	25,030	100.00%
People's Republic of China	53,896	0.00%	56,733	0.00%
<u>Total loans for use outside Hong Kong</u>	<u>77,328</u>		<u>81,763</u>	
	<u>841,076</u>		<u>826,839</u>	

## 6. AVERAGE LIQUIDITY RATIO

	<u>30/6/2013</u>	<u>30/6/2012</u>
	%	%
Average liquidity ratio for the six-month period	<u>82.89</u>	<u>83.88</u>

Average liquidity ratio of the company is calculated as the ratio of the average liquefiable assets to the average qualifying liabilities, as specified in the Fourth Schedule to the Banking Ordinance.

## 7. FOREIGN CURRENCY POSITION

	THE COMPANY	
	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
US Dollars		
Spot assets	590,225	574,839
Spot liabilities	(675,122)	(684,648)
Forward purchases	75,647	108,462
Forward sales	(1,350)	0
Net short position	<u>(10,600)</u>	<u>(1,347)</u>
Australian Dollars		
Spot assets	29,989	12,276
Spot liabilities	(26,480)	(2,697)
Forward purchases	0	0
Forward sales	0	(7,650)
Net long position	<u>3,509</u>	<u>1,929</u>
Canadian Dollars		
Spot assets	10,578	11,077
Spot liabilities	(10,667)	(11,172)
Forward purchases	0	0
Forward sales	0	0
Net short position	<u>(89)</u>	<u>(95)</u>

7. FOREIGN CURRENCY POSITION (continued)

	THE COMPANY	
	30/6/2013	31/12/2012
	HK\$'000	HK\$'000
Euro Dollars		
Spot assets	10,028	21,091
Spot liabilities	(9269)	(10900)
Forward purchases	528	0
Forward sales	(1113)	(10227)
Net long/(short) position	<u>174</u>	<u>(36)</u>
New Zealand Dollars		
Spot assets	4,262	7,046
Spot liabilities	(4,068)	(6,683)
Forward purchases	0	0
Forward sales	0	0
Net long position	<u>194</u>	<u>363</u>
Singapore Dollars		
Spot assets	105	110
Spot liabilities	0	0
Forward purchases	0	0
Forward sales	0	0
Net long position	<u>105</u>	<u>110</u>

The company's net positions in other foreign currencies respectively constitute less than 10% of the total net position in all foreign currencies.

There was no structural position in a particular foreign currency as at the balance sheet date.

## 8. CROSS-BORDER CLAIMS

The information of cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate cross-border claims are disclosed.

	30/6/2013			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific Region excluding Hong Kong				
Australia	130,443	0	0	130,443
North America				
United States	109,283	0	0	109,283
Europe				
United Kingdom	45,563	0	0	45,563
Netherlands	99,425	0	0	99,425

	31/12/2012			
	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific Region excluding Hong Kong				
Australia	148,638	0	0	148,638
North America				
United States	122,624	0	0	122,624
Europe				
United Kingdom	51,317	0	0	51,317
Netherlands	66,376	0	0	66,376

## 9. CAPITAL MANAGEMENT

The company has adopted the foundation basic approach (BSC approach) to calculate the credit risk capital charge for all on-balance sheet exposures and off-balance sheet exposures. In view of the Banking (Capital) (Amendment) Rules 2012 which came into operation on 1 January 2013, the Company has adopted the standardised (market risk) (STM approach) to calculate the market risk capital charge for foreign exchange and interest rate exposures. The company has adopted the standardised (operational risk) STO approach to calculate the minimum capital charge for operational risk.

As a result of the adoption of Banking (Capital) (Amendment) Rules 2012 since 1 January 2013, the amounts shown for 30 June 2013 are not directly comparable to those of 31 December 2012.

	<u>30/6/2013</u> %
CET1 capital ratio	<u>30.17</u>
Tier 1 capital ratio	<u>32.08</u>
Total capital ratio	<u>34.10</u>
	<u>31/12/2012</u> %
Core capital ratio	<u>34.20</u>
Capital adequacy ratio	<u>35.31</u>

9. CAPITAL MANAGEMENT (continued)

The components of the company's total capital base after deductions used in the calculation of the above capital ratios as at 30 June 2013 and 31 December 2012 and reported to the Hong Kong Monetary Authority are as follows:

	<u>30/6/2013</u> <u>HK\$'000</u>
CET1 capital : instruments and reserves	
Directly issued qualifying CET1 capital instruments plus any related share premium	165,000
Retained earnings	145,943
Disclosed reserves	<u>6,874</u>
CET1 capital before regulatory deductions	<u>317,817</u>
CET1 capital : regulatory deductions	
Deferred tax assets net of deferred tax liabilities	(5,688)
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(19,055)
Total regulatory deductions to CET1 capital	<u>(24,743)</u>
CET1 capital	<u>293,074</u>
AT1 capital : instruments	
Capital instruments subject to phase out arrangements from AT1 capital	18,630
AT1 capital	<u>18,630</u>
Tier 1 capital	<u>311,704</u>
Tier 2 capital : instruments and provisions	
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,997
Tier 2 capital before regulatory deductions	<u>10,997</u>
Tier 2 capital : regulatory deductions	
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	8,575
Total regulatory deductions to Tier 2 capital	<u>8,575</u>
Tier 2 capital	<u>19,572</u>
<b>Total capital</b>	<u><u>331,276</u></u>



9. CAPITAL MANAGEMENT (continued)

The components of the company's total capital base after deductions (continued)

	<u>31/12/2012</u> HK\$'000
Core capital	
Paid up ordinary share capital	165,000
Paid up irredeemable non-cumulative preference shares	20,700
Reserves	126,058
Profit and loss account	14,811
Net deferred tax assets	<u>(2,920)</u>
	323,649
Less:	
50% of total amount of deductible items (TDI) and any excessive amount of non-deduction from supplementary capital	<u>500</u>
Total core capital	<u>323,149</u>
Eligible supplementary capital	
Regulatory reserve for general banking risks	4,224
Collective impairment allowances against advances to customers	6,773
Reserves attributable to fair value gains on revaluation of holdings AFS equities and debt securities	<u>26</u>
	11,023
Less:	
50% of total amount of deductible items (TDI) up to supplementary capital	<u>500</u>
Total eligible supplementary capital	<u>10,523</u>
Total capital base	<u><u>333,672</u></u>

To comply with the Banking (Disclosure) Rules, a section "Regulatory Disclosures" will be available on the Company's website at [www.abchkl.com.hk](http://www.abchkl.com.hk) on 30 September 2013 and include the following information:

- A detailed breakdown of the Company's capital base and regulatory deductions, using the standard template as specified by the Hong Kong Monetary Authority.
- A reconciliation of capital components to the Company's balance sheet, using the standard template as specified by the Hong Kong Monetary Authority.
- A description of the main features and the full terms and conditions of the Company's issued capital instruments.

## 10. REPOSSESSED ASSETS

	<u>30/6/2013</u>	<u>31/12/2012</u>
	HK\$'000	HK\$'000
Reposessed properties	<u>0</u>	<u>0</u>

The amount represents the estimated market value of the reposessed properties as at the balance sheet date.

## 11. STATEMENT OF COMPLIANCE

The Interim Results together with the Supplementary Financial Information is prepared in accordance with and complies fully with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.