

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

2014 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 2014 to 30 June 2014 as follows:-

**UNAUDITED CONSOLIDATED STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	<u>30/6/2014</u>	<u>30/6/2013</u>
	HK\$'000	HK\$'000
Interest income	21,011	18,894
Interest expenses	(2,909)	(2,644)
	<hr/>	<hr/>
Net interest income	18,102	16,250
Commission income	702	832
Other operating income	4,703	3,746
	<hr/>	<hr/>
Operating income	23,507	20,828
Operating expenses	(14,365)	(13,846)
	<hr/>	<hr/>
Operating profit before impairment losses	9,142	6,982
Net write-back of impairment provision	207	3,602
	<hr/>	<hr/>
Profit before taxation	9,349	10,584
Hong Kong profits tax	-	-
	<hr/>	<hr/>
Profit for the period	<u>9,349</u>	<u>10,584</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 2014

	<u>30/6/2014</u>	<u>30/6/2013</u>
	HK\$'000	HK\$'000
Profit for the period	9,349	10,584
Other Comprehensive Income		
Changes in fair value of available-for-sale investments	<u>(19)</u>	<u>66</u>
Total comprehensive income for the period	<u><u>9,330</u></u>	<u><u>10,650</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

	NOTE	30/6/2014 HK\$'000	31/12/2013 HK\$'000
<b><u>ASSETS</u></b>			
Cash and short-term funds		304,921	303,806
Placements with banks and other financial institutions maturing between one and twelve months		255,211	253,192
Derivative financial instruments	3	0	15
Available-for-sale financial assets	4	15,476	23,242
Advances and other accounts		919,076	917,410
Trade Bills		0	0
Deferred tax asset		4,862	4,862
Investment property		48,000	48,000
Property and equipment		32,138	32,609
		<u>1,579,684</u>	<u>1,583,136</u>
Total assets		<u>1,579,684</u>	<u>1,583,136</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES</b>			
Deposits and balances from banks and other financial institutions		41,762	60,227
Deposits from customer		1,154,175	1,147,074
Derivative financial instruments	3	82	3
Other accounts and provisions		11,559	13,056
		<u>1,207,578</u>	<u>1,220,360</u>
Total liabilities		<u>1,207,578</u>	<u>1,220,360</u>
<b>EQUITY</b>			
Share capital		185,700	185,700
Reserves		186,406	177,076
		<u>372,106</u>	<u>362,776</u>
Total equity		<u>372,106</u>	<u>362,776</u>
Total equity and liabilities		<u>1,579,684</u>	<u>1,583,136</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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 1 January 2013	185,700	7,000	(192)	4,224	142,133	338,865
Profit for the year	0	0	0	0	24,753	24,753
Other comprehensive income for the year :						
Change in fair value of AFS investments, net of tax	0	0	193	0	0	193
Total comprehensive income for the year	0	0	193	0	24,753	24,946
2013 preference shares dividend	0	0	0	0	(1,035)	(1,035)
Transfer from retained profits	0	0	0	5,009	(5,009)	0
At 31 December 2013	185,700	7,000	1	9,233	160,842	362,776
Profit for the six months of 2014	0	0	0	0	9,349	9,349
Other comprehensive income for the year :						
Change in fair value of AFS investments, net of tax	0	0	(19)	0	0	(19)
Total comprehensive income for the year	0	0	(19)	0	9,349	9,330
2014 preference shares dividend	0	0	0	0	0	0
Transfer from retained profits	0	0	0	0	0	0
At 30 June 2014	185,700	7,000	(18)	9,233	170,191	372,106

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

	THE COMPANY	
	30/6/2013	31/12/2013
	HK\$'000	HK\$'000
1. ADVANCES AND OTHER ACCOUNTS		
Advances to customers	914,420	912,760
Individual impairment allowances against advances to customers	(45)	(50)
Collective impairment allowances	(1,764)	(1,764)
Other accounts	4,509	3,965
	<u>917,120</u>	<u>914,911</u>

ADVANCES TO CUSTOMERS

	THE COMPANY		THE COMPANY	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	HK\$'000	HK\$'000	% of total advances to customers	% of total advances to customers
Loans for use in				
Hong Kong	830,737	845,099	90.84	92.59
Philippines	20,184	21,809	2.21	2.39
Vietnam	20,000	0	2.19	0.00
People's Republic of China	43,499	45,852	4.76	5.02
	<u>914,420</u>	<u>912,760</u>	<u>100.00</u>	<u>100.00</u>

## IMPAIRED ASSETS

	THE COMPANY		THE COMPANY	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	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	950	230	0.10	0.03
Individual impairment allowances made against such advances	(45)	(50)		
	<u>905</u>	<u>180</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	950	230	0.10	0.03
Individual impairment allowances made against such advances	(45)	(50)		
	<u>905</u>	<u>180</u>		
Fair value of collateral	<u>732</u>	<u>0</u>		

## OVERDUE AND RESCHEDULED ASSETS

### OVERDUE ADVANCES

	THE COMPANY		THE COMPANY	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	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	732	0	0.08	0.00
One year or less but over six months	0	0	0.00	0.00
Over one year	0	0	0.00	0.00
	<u>732</u>	<u>0</u>		
<u>Loans for use in People's Republic of China</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	0	0	0.00	0.00
	<u>0</u>	<u>0</u>		
<u>Total overdue advances</u>	<u>732</u>	<u>0</u>		

As at 30 June 2014 and 31 December 2013, 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	
	30/6/2014	31/12/2013
	HK\$'000	HK\$'000
Current market value of collateral held against the covered portion of overdue loans and advances	<u>2,244</u>	<u>0</u>
Covered portion of overdue loans and advances	<u>732</u>	<u>0</u>
Uncovered portion of overdue loans and advances	<u>0</u>	<u>0</u>

## RESCHEDULED ADVANCES

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

	THE COMPANY		THE COMPANY	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	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 2014 and 31 December 2013, 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 :

	30/6/2014			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Type of counterparties</u>				
Mainland entities				
Compaines and individuals outside the Mainland where the credit is granted for use in the Mainland	43,499	0	43,499	0
	43,499	0	43,499	0

	31/12/2013			
	On-balance sheet exposure	Off-balance sheet exposure	Total exposure	Individual impairment allowance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Type of counterparties</u>				
Mainland entities				
Compaines and individuals outside the Mainland where the credit is granted for use in the Mainland	45,852	0	45,852	0
	45,852	0	45,852	0



## 2. OFF-BALANCE SHEET EXPOSURES

### A. Contingent liabilities and commitments

	<u>30/6/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Contractual amounts		
Direct credit substitutes	0	0
Trade-related contingencies	1,907	16,452
Other commitments:		
With an original maturity of under one year or which are unconditionally cancellable	44,690	26,908
With an original maturity of one year and over	<u>0</u>	<u>0</u>
	<u>46,597</u>	<u>43,360</u>
 Aggregate credit risk weighted amounts	 <u>381</u>	 <u>3,290</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>30/6/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Notional amounts of derivatives		
Exchange rate contracts	<u>227,924</u>	<u>227,030</u>
 Aggregate credit risk weighted amounts	 <u>287</u>	 <u>251</u>
 Aggregate replacement costs	 <u>0</u>	 <u>42</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 derivatives do not take into account the effects of bilateral netting arrangements.

### 3. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>30/6/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Derivative financial instruments (not under hedge accounting)		
Forward foreign exchange contracts (at fair value)		
-Assets	0	15
-Liabilities	<u>(82)</u>	<u>(3)</u>
	<u>(82)</u>	<u>12</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 valuation techniques.

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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Certificates of deposit		
Unlisted	<u>15,476</u>	<u>23,242</u>
Issued by:		
Banks and other financial institutions	<u>15,476</u>	<u>23,242</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.

## 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.

	30/6/2014		31/12/2013	
	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 development	0	0.00%	0	0.00%
- Property investment	298,641	100.00%	311,560	100.00%
- Financial concerns	0	0.00%	0	0.00%
- Stockbrokers	0	0.00%	0	0.00%
- Wholesale and retail trade	80,823	100.00%	78,318	100.00%
- Manufacturing	134,427	100.00%	136,582	99.49%
- Transport and transport equipment	11,906	100.00%	13,596	100.00%
- Recreational activities	0	0.00%	0	0.00%
- Information technology	0	0.00%	0	0.00%
- Others	27,879	100.00%	26,352	100.00%
Individuals				
- Loans for purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	0	0.00%	0	0.00%
- Loans for purchase of other residential properties	144,559	100.00%	145,381	100.00%
- Credit card advances	0	0.00%	0	0.00%
- Others	94,221	99.77%	96,834	99.76%
<u>Total loans for use in Hong Kong</u>	<u>792,456</u>		<u>808,623</u>	
<u>Trade finance</u>	<u>38,281</u>	77.03%	<u>36,476</u>	51.71%
<u>Loans for use outside Hong Kong</u>				
Philippines	20,184	100.00%	21,809	100.00%
Vietnam	20,000	100.00%	0	0.00%
People's Republic of China	43,499	0.00%	45,852	0.00%
<u>Total loans for use outside Hong Kong</u>	<u>83,683</u>		<u>67,661</u>	
	<u>914,420</u>		<u>912,760</u>	

## 6. AVERAGE LIQUIDITY RATIO

	<u>30/6/2014</u>	<u>30/6/2013</u>
	%	%
Average liquidity ratio for the six-month period	<u>69.97</u>	<u>82.89</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>30/6/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
US Dollars		
Spot assets	543,539	557,200
Spot liabilities	(770,627)	(795,906)
Forward purchases	226,865	226,158
Forward sales	(990)	(880)
Net short position	<u>(1,213)</u>	<u>(13,428)</u>
Australian Dollars		
Spot assets	27,495	25,816
Spot liabilities	(27,421)	(25,810)
Forward purchases	0	0
Forward sales	0	0
Net long position	<u>74</u>	<u>6</u>
Canadian Dollars		
Spot assets	10,456	10,456
Spot liabilities	(10,540)	(10,542)
Forward purchases	0	0
Forward sales	0	0
Net short position	<u>(84)</u>	<u>(86)</u>

7. FOREIGN CURRENCY POSITION (continued)

	THE COMPANY	
	30/6/2014	31/12/2013
	HK\$'000	HK\$'000
Japanese Dollars		
Spot assets	371	266
Spot liabilities	(267)	(258)
Forward purchases	0	852
Forward sales	0	(852)
Net long position	<u>104</u>	<u>8</u>
New Zealand Dollars		
Spot assets	4,892	4,542
Spot liabilities	(4,639)	(4,323)
Forward purchases	0	0
Forward sales	0	0
Net long position	<u>253</u>	<u>219</u>
Singapore Dollars		
Spot assets	103	104
Spot liabilities	0	0
Forward purchases	0	0
Forward sales	0	0
Net long position	<u>103</u>	<u>104</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.

	30/6/2014			
	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	<u>100,840</u>	<u>0</u>	<u>0</u>	<u>100,840</u>
North America				
United States	<u>78,615</u>	<u>0</u>	<u>0</u>	<u>78,615</u>
Europe				
United Kingdom	43,000	0	0	43,000
Netherlands	<u>57,558</u>	<u>0</u>	<u>0</u>	<u>57,558</u>

	31/12/2013			
	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	<u>115,336</u>	<u>0</u>	<u>0</u>	<u>115,336</u>
North America				
United States	<u>63,440</u>	<u>0</u>	<u>0</u>	<u>63,440</u>
Europe				
United Kingdom	38,265	0	0	38,265
Netherlands	<u>72,240</u>	<u>0</u>	<u>0</u>	<u>72,240</u>

## 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 2014 are directly comparable to those of 31 December 2013.

	<u>30/6/2014</u>	<u>31/12/2013</u>
	%	%
CET1 capital ratio	<u>29.55</u>	<u>28.95</u>
Tier 1 capital ratio	<u>31.13</u>	<u>30.54</u>
Total capital ratio	<u>33.11</u>	<u>32.53</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 2014 and 31 December 2013 and reported to the Hong Kong Monetary Authority are as follows:

	30/6/2014 HK\$'000	31/12/2013 HK\$'000
CET1 capital : instruments and reserves		
Directly issued qualifying CET1 capital instruments plus any related share	165,000	165,000
Retained earnings	163,338	155,534
Disclosed reserves	6,982	7,001
CET1 capital before regulatory deductions	<u>335,320</u>	<u>327,535</u>
CET1 capital : regulatory deductions		
Deferred tax assets net of deferred tax liabilities	4,862	4,862
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	21,555	21,555
Total regulatory deductions to CET1 capital	<u>26,417</u>	<u>26,417</u>
CET1 capital	<u>308,903</u>	<u>301,118</u>
AT1 capital : instruments		
Capital instruments subject to phase out arrangements from AT1 capital	16,560	16,560
AT1 capital	<u>16,560</u>	<u>16,560</u>
Tier 1 capital	<u>325,463</u>	<u>317,678</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	10,997
Tier 2 capital before regulatory deductions	<u>10,997</u>	<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	(9,700)	(9,700)
Total regulatory deductions to Tier 2 capital	<u>(9,700)</u>	<u>(9,700)</u>
Tier 2 capital	<u>20,697</u>	<u>20,697</u>
<b>Total capital</b>	<u><u>346,160</u></u>	<u><u>338,375</u></u>

To comply with the Banking (Disclosure) Rules, the section "Regulatory Disclosures" will be updated on the Company's website at [www.abchkl.com.hk](http://www.abchkl.com.hk) on 30 September 2014 for the information listed below:

- 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

There was no repossessed assets of the company as at 30 June 2014 and 31 December 2013.

## 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.