永亨銀行
WING HANG BANK

Stock Code：302

Interim Report 2014

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman

Dr FUNG Yuk Bun Patrick JP

Executive Directors

Mr NA Wu Beng *(Chief Executive* appointed on 18th August, 2014)
Mr Frank John WANG *(Deputy Chief Executive)*
Mr FUNG Yuk Sing Michael (resigned on 1st August, 2014)

Non-executive Directors

Dr CHEONG Choong Kong (appointed on 1st August, 2014)
Ms KNG Hwee Tin (appointed on 1st August, 2014)
Mr TSIEN Samuel Nag (appointed on 1st August, 2014)
Mr HO Chi Wai Louis (resigned on 1st August, 2014)
Mr Stephen Dubois LACKEY (resigned on 1st August, 2014)
Mr Brian Gerard ROGAN (resigned on 1st August, 2014)

Independent Non-executive Directors

Mr LAU Hon Chuen Ambrose GBS, JP
Mr OOI Sang Kuang (appointed on 1st August, 2014)
Mr TSE Hau Yin Aloysius
Dr CHENG Hon Kwan GBS, JP (resigned on 1st August, 2014)
Mr LI Sze Kuen Billy (resigned on 1st August, 2014)

Alternate Director

Mr FUNG Yuk Sing Michael
(Alternate Director to Mr Frank John WANG appointed on 1st August, 2014)

EXECUTIVE COMMITTEE

Mr NA Wu Beng
Mr Frank John WANG
Mr TSIEN Samuel Nag
(Ms KNG Hwee Tin as alternate member to Mr TSIEN Samuel Nag)

AUDIT COMMITTEE

Mr TSE Hau Yin Aloysius
Ms KNG Hwee Tin
Mr LAU Hon Chuen Ambrose GBS, JP

REMUNERATION COMMITTEE

Mr OOI Sang Kuang
Mr TSIEN Samuel Nag
Mr LAU Hon Chuen Ambrose GBS, JP

NOMINATION COMMITTEE

Mr OOI Sang Kuang
Mr TSIEN Samuel Nag
Mr LAU Hon Chuen Ambrose GBS, JP

RISK MANAGEMENT COMMITTEE

Mr TSE Hau Yin Aloysius
Mr NA Wu Beng
Ms KNG Hwee Tin

COMPANY SECRETARY

Mr LEUNG Chiu Wah

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE

161 Queen's Road Central, Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

A SUBSIDIARY OF OCBC BANK

Group Results in Brief

	Six months ended 30th June, 2014	Six months ended 30th June, 2013	Decrease	Six months ended 30th June, 2014
	HK$ million	HK$ million	%	**US$ million**
Profit Attributable to Shareholders	**933**	1,007	(7)	**120.4**
Interim Dividend	**–**	141	(100)	**–**
	HK$	HK$	%	**US$**
Basic Earnings per Share	**3.03**	3.33	(9)	**0.39**
Interim Dividends per Share	**–**	0.46	(100)	**–**
	%	%		
Cost to Income Ratio	**49.9**	49.6		
Return on Average Assets (annualised)	**0.86**	1.02		
Return on Average Shareholders' Funds (annualised)	**8.5**	10.1		

	30th June, 2014	31st December, 2013	Increase	30th June, 2014
	HK$ million	HK$ million	%	**US$ million**
Shareholders' Funds	**22,337**	21,700	3	**2,881.9**
Total Deposits	**193,311**	185,355	4	**24,941.1**
Advances to Customers	**141,783**	135,323	5	**18,292.9**
Total Assets	**223,339**	214,376	4	**28,815.3**
	HK$	HK$	%	**US$**
Net Asset Value per Share	**72.43**	70.59	3	**9.34**

US$1.00=HK$7.7507

Chairman's Statement

In the first half of 2014, profit attributable to shareholders decreased by 7.4 percent to HK$932.8 million from HK$1,007.5 million the same period last year. The decrease was mainly due to decreases in capital gains on disposals of properties and unrealised losses on our subordinated liabilities. Excluding these extra adjustments, the profit attributable to shareholders should have increased by 11.5 percent. Earnings per share decreased by 9.0 percent to HK$3.03. The Board has not recommended an interim dividend for the year 2014.

Economic growth in Hong Kong slowed to 1.8 percent year-on-year in the second quarter of 2014. It was due to slower growth in exports and consumption. In particular, export growth was undermined by the high base effect. The fall in retail sales has begun to reflect on falling work hours and has had a negative impact on consumption. On the other hand, strong investment growth from infrastructure projects supported the economy. Meanwhile slower residential rental growth continued to result in a downward trend of CPI inflation that was 3.6 percent in June.

In China the economy grew by 7.4 percent in the first half of 2014. A series of mini-stimulus has taken effect, including two targeted cuts in required reserve ratio, which has increased liquidity in Mainland, as a result, money supply grew by 14.7 percent in June, and interbank interest rates have fallen.

Total loans and advances increased by 9.6 percent whereas loans for use outside Hong Kong grew by 5.5 percent even trade finance decelerated. Meanwhile demand for mortgage loans revived due to increased supply of primary residential units and relaxed stamp duty measures.

Despite these challenges, Wing Hang was able to achieve moderate growth in customer loans and total deposits which increased by 4.8 percent and 4.3 percent respectively in the first half of 2014. Loan demand was largely supported by increased residential mortgages, wholesale and retail trade, auto and equipment leasing, corporate as well as consumer lending. This was supported by loan demand in Macau and on the Mainland. Deposit growth was fuelled by a significant increase in time deposits.

The Group's asset quality remains sound supported by stable economic fundamentals and an effective credit risk monitoring policy.

Here are some key financial ratios for the period under review:

- Return on average shareholders' funds: 8.5 percent
- Loan-to-deposit ratio as at 30th June, 2014: 73.3 percent
- Average liquidity ratio: 37.5 percent
- Total capital ratio as at 30th June, 2014: 15.4 percent
- Tier 1 capital ratio as at 30th June, 2014: 11.7 percent

Our network currently comprises 42 branches in Hong Kong, 13 branches in Macau and 15 branches/sub-branches on the Mainland. As at 30th June, 2014, the Group employed a total of 3,409 staff.

The key financial statistics for the period are:

- Profit before taxation decreased by 6.9 percent to HK$1,101.2 million mainly due to decreases in capital gains on the disposal of properties and unrealized losses on our subordinated liabilities. Partially offsetting this decrease was increase in net interest income.

- Net interest income increased by 9.5 percent to HK$1,753.3 million due to increase in interest income. Our net interest margin remained unchanged at 1.68 percent. The offsetting factors are increase in loan volume as well as reduction in interest expense on our subordinated debt issued which were fully offset by increase in interest expenses on customer deposits.

- Other operating income remained unchanged at HK$423.9 million.

- Net unrealised loss from trading and financial instruments designated at fair value was HK$66.5 million compared to a net gain of HK$12.1 million the same period last year due to increase in unrealised loss on our subordinated debt issued.

- Total operating expenses increased by 4.4 percent to HK$1,053.2 million due to increase in staff expenses and rental expenses. Our group's cost-to-income ratio slightly increased to 49.9 percent from 49.6 percent same period last year.

- Impairment losses and allowances for loans and advances decreased by 27.7 percent to HK$31.2 million from HK$43.2 million same period last year. Impaired loans as of 30th June, 2014 stood at HK$495.9 million, equivalent to 0.35 percent of total loans.

- Net gains on revaluation and disposal of properties decreased by 100.6 percent due to gains on disposal of properties in last year.

- Net gains from disposal of available-for-sale financial assets decreased by 45 percent to HK$49.2 million due to decrease in gain on disposal of debt securities.

- Total deposits increased by 4.3 percent to HK$193.3 billion while customer deposits grew by 4.6 percent to HK$186.1 billion. Certificates of deposit issued by the bank increased by 21.6 percent to HK$5.1 billion.

- Total customer loans increased by 4.8 percent to HK$141.8 billion. The increase in loans was due to demand from residential mortgages, wholesale and retail trade, auto and equipment leasing, corporate and consumer lending as well as increased loan demand in Macau and China.

RETAIL BANKING

Retail Banking Division recorded profit before taxation increment by 6.2 percent in the first half of 2014 compared to the same period last year.

In the residential mortgage business, we introduced a range of new and comprehensive loan packages such as HIBOR Flexi Mortgage Plan and RMB Repayment Plan that proved popular with our customers. Consequently we continued to outperform the market achieving growth of 11.5 percent despite keen market competition.

We were able to expand our deposits by 4.6 percent by introducing structured deposits and various promotion programs.

The key to success in our retail banking business is the continued expansion of our customer base. We successfully attracted new customers and new sources of funding by offering promotions in various product lines, such as Elite Gold Banking, securities trading, wealth management as well as loans under the SME Financing Guarantee Scheme.

In eBanking we continue to strengthen our range of services. For instance we now offer eIPO financing through the Internet in the first quarter.

In terms of our branch network, we attach great importance to interior design features so that our customers can enjoy the user experience. Kwun Tong Branch has been renovated in January and new Elite Gold Banking Zone has been established in Shatin Plaza Branch in June while Gloucester Road Branch has been relocated in May.

Looking ahead we will continue to upgrade our branch network and develop new products and services to capture more cross-selling opportunities.

CONSUMER FINANCE

In the first half of 2014, Wing Hang Credit has successfully promoted their personal loan programs and satisfactory responses were received from customers, which enabled us to achieve a sustainable business volume. In addition, we are devoted to establish as a prominent consumer lending service provider with diversified loan products and promotional channels, as well as excellent customer services.

Looking forward, although the competition and the environment in the loan market are challenging, we will continue to focus on exploring new business opportunities and will further develop our loan products and promotional channels in order to sustain the leading position in the competitive market.

AUTO AND EQUIPMENT LEASING

The Auto and Equipment Finance Division achieved a moderate overall portfolio growth in the 2014 interim. Our leading position in the Hong Kong vehicle finance market remained solid. Competition continued fierce despite the cost of funding was in a rising trend which had nibbled into our profit margin. Our higher margin equipment finance business in China was hampered by an increase in delinquency attributed to the tightening monetary policy in China. Profit was less satisfactory.

CORPORATE BANKING

Total loan volumes of Corporate Banking Division recorded an increase of 4.5 percent in the first half of 2014 with growth momentum mainly on corporate bilateral loans. Credit quality of our loan portfolio, as reflected from the persistent low impaired ratio, has remained sound throughout the period. For the second half of the year, in view of the gradual economic recovery in most major export markets, our total loan volume is expected to continue on a steady and healthy growing trend with business focus on medium to large corporates of good credit quality. We shall keep on with our active participation on the cross-referral activities with our China's entity.

TREASURY

Profit before taxation in the Treasury division decreased by 61.6 percent over the same period last year. The decrease was mainly due to decrease in debt securities investments, unrealised loss on our subordinated liabilities and decrease in gains on disposal of debt securities. Partially offsetting this decrease was reduction in interest expense due to early redemption of our subordinated debt.

CHINA

China's economy was seen as stable in the first half of 2014 with GDP growth a moderate of 7.4 percent. Industrial production and exports were seen picking up. The People's Bank of China had continued to maintain good market liquidity and we have seen moderate loan growth during the first half. Our wholly-owned subsidiary, Wing Hang Bank (China) Limited ("WHBCL") recorded a strong results in the first half of 2014. Profit before taxation of our China operations increased by 170.7 percent due to strong growth in net interest income as well as decrease in impairment losses and allowances on loans. Customer loans increased by 4.5 percent while customer deposits remained unchanged when compared with the end of 2013.

WHBCL has continued to grow their loan portfolio targeting small enterprises with satisfactory results. Our Haizhu sub-branch in Guangzhou opened in October, 2013 has achieved good results as they were able to capture small enterprises business there.

MACAU

Economic growth in Macau remained strong as the gaming and tourism industries continued to expand. Real GDP grew by 12.4 percent in the first quarter of 2014. Reflecting this strong growth, Banco Weng Hang achieved significant increase of 21.3 percent in operating profit before impairment losses and allowances to 199.5 million patacas. Net profit decreased by 4.2 percent to 187.6 million patacas due to net gain on disposal of property of 54.0 million patacas in the first half of last year.

Net interest income jumped 25.1 percent on the back of robust consumer loan demand coupled with an improvement in interest yields. Other operating income increased by 4.4 percent as fee revenues from several business divisions including credit cards, insurance and wealth management services all recorded healthy growth.

Notwithstanding strong growth in high-yield consumer and cross-border trade loans, total loans increased by a relatively modest 3.5 percent as compared to the end of 2013. This was due to the sluggish growth in mortgage loans in the first quarter as a result of the drastic decrease in property transactions. Customer deposit grew by 7.0 percent, chiefly due to the launch of a number of successful campaigns to promote new savings products. As a result, the Bank's loan-to-deposit ratio lowered to 69.8 percent.

Looking ahead we expect the local economy to achieve moderate growth for the rest of 2014 supported by low unemployment and recovering external demand mainly from the United States and Europe. We will balance easing credit conditions with weakening credit condition in China.

With the backdrop of RMB internationalisation and interest rate differentials across the border, the Bank will continue to take part in offshore RMB business in Hong Kong and Macau proactively.

FUNG Yuk Bun Patrick
Chairman

Hong Kong, 21st August, 2014

Unaudited Consolidated Income Statement

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	**Six months ended 30th June, 2014**	Six months ended 30th June, 2013
Interest income	4(a)	**3,222,214**	2,876,959
Interest expense	4(b)	**(1,468,892)**	(1,276,379)
Net interest income		**1,753,322**	1,600,580
Other operating income	4(c)	**423,919**	423,755
Net (losses)/gains from trading and financial instruments designated at fair value through profit or loss	4(d)	**(66,497)**	12,145
Non-interest income		**357,422**	435,900
Operating income		**2,110,744**	2,036,480
Operating expenses	4(f)	**(1,053,156)**	(1,009,115)
Operating profit before impairment losses and allowances		**1,057,588**	1,027,365
Impairment losses and allowances charged on loans and advances		**(31,227)**	(43,182)
Operating profit		**1,026,361**	984,183
Net (losses)/gains on revaluation of properties and disposal of tangible fixed assets	5(a)	**(536)**	96,344
Net gains on disposal of available-for-sale financial assets	5(b)	**49,240**	89,541
Share of net gains of associated companies		**26,166**	12,633
Profit before taxation		**1,101,231**	1,182,701
Taxation	6	**(168,452)**	(175,205)
Profit for the period attributable to equity shareholders of the Bank		**932,779**	1,007,496
		HK$	HK$
Earnings per share	8		
Basic		**3.03**	3.33
Diluted		**3.01**	3.31

The notes on pages 13 to 64 form part of the unaudited interim financial report. Details of dividends payable to equity shareholders of the Bank are set out in note 7.

Unaudited Consolidated Statement of Comprehensive Income

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	**Six months ended 30th June, 2014**	Six months ended 30th June, 2013
Profit for the period		**932,779**	1,007,496
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss			
– Surplus on revaluation of bank premises	16	**204,513**	212,202
– Deferred taxes		**(21,554)**	(14,728)
		182,959	197,474
Items that will be reclassified subsequently to profit or loss			
– Exchange adjustments on translation of financial statements of subsidiaries		**(28,490)**	49,601
		(28,490)	49,601
– Available-for-sale financial assets			
– Fair value changes to equity			
– on debt securities		**74,840**	(241,000)
– on equity securities		**(8,179)**	20,343
– Transfer to consolidated income statement			
– gains on disposal	5(b)	**(38,210)**	(80,702)
– Deferred taxes		**(6,901)**	48,895
		21,550	(252,464)
		(6,940)	(202,863)
Other comprehensive income for the period, net of tax		**176,019**	(5,389)
Total comprehensive income for the period attributable to equity shareholders of the Bank		**1,108,798**	1,002,107

The notes on pages 13 to 64 form part of the unaudited interim financial report.

Unaudited Consolidated Balance Sheet

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	**30th June, 2014**	31st December, 2013
ASSETS			
Cash and balances with banks, central banks and other financial institutions	9	**8,029,509**	7,564,466
Placements with banks, central banks and other financial institutions	10	**24,635,876**	19,216,094
Trading assets	11	**2,072,797**	2,440,744
Financial assets designated at fair value through profit or loss	12	**7,141,226**	8,221,040
Advances to customers and other accounts	13(a)	**148,712,950**	142,356,699
Held-to-maturity investments	14	**4,228,178**	4,391,766
Available-for-sale financial assets	15	**22,341,916**	24,163,415
Investments in associated companies		**278,606**	252,554
Tangible fixed assets	16		
– Investment properties		**164,400**	163,100
– Other properties, plants and equipment		**4,386,324**	4,263,426
Goodwill	17	**1,306,430**	1,306,430
Current tax recoverable		**11,237**	7,322
Deferred tax assets		**29,624**	28,833
Total assets		**223,339,073**	214,375,889
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	18	**2,120,113**	3,258,322
Deposits from customers	19	**186,101,606**	177,909,960
Certificates of deposit issued	20	**5,089,517**	4,186,223
Trading liabilities	21	**602,542**	773,110
Current tax payable		**269,304**	207,753
Deferred tax liabilities		**180,560**	149,093
Other accounts and provisions	22	**3,364,146**	3,021,929
Subordinated liabilities	23	**3,274,748**	3,169,279
Total liabilities		**201,002,536**	192,675,669
Share capital: nominal value	25(a)	**–**	307,425
Other statutory capital reserves		**–**	1,406,517
Share capital and other statutory capital reserves		**1,740,750**	1,713,942
Reserves	25(b)	**20,595,787**	19,986,278
Total equity		**22,336,537**	21,700,220
Total equity and liabilities		**223,339,073**	214,375,889

The notes on pages 13 to 64 form part of the unaudited interim financial report.

Unaudited Consolidated Statement of Changes in Equity

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

Six months ended 30th June, 2014

	At 1st January	Transition to no-par value regime on 3rd March, 2014 (Note 25(a))	Share issued under Share Option Scheme (Note 25(a))	Share issued under Employee Incentive Plan (Note 4(f)) & (Note 25(a))	Dividends approved in respect of the previous year (Note 7(b))	Share of changes in associated companies	Disposal of bank premises	Transfer to/ (from) reserve	Total comprehensive income for the period	At 30th June
Share capital	307,425	1,406,517	21,747	5,061	–	–	–	–	–	1,740,750
Share premium	1,405,748	(1,405,748)	–	–	–	–	–	–	–	–
Capital redemption reserve	769	(769)	–	–	–	–	–	–	–	–
Capital reserve	299,076	–	–	–	–	–	–	–	–	299,076
Statutory reserve	314,024	–	–	–	–	–	–	–	–	314,024
General reserve	2,293,560	–	–	–	–	–	–	–	(28,490)	2,265,070
Bank premises revaluation reserve	2,133,256	–	–	–	–	–	(1,706)	(19,020)	182,959	2,295,489
Investment revaluation reserve	183,283	–	–	–	–	(114)	–	–	21,550	204,719
Unappropriated profits	14,763,079	–	–	–	(499,175)	–	1,706	19,020	932,779	15,217,409
Total equity	21,700,220	–	21,747	5,061	(499,175)	(114)	–	–	1,108,798	22,336,537

Six months ended 30th June, 2013

	At 1st January	Share issued under Share Option Scheme (Note 25(a))	Share issued under Employee Incentive Plan (Note 4(f)) & (Note 25(a))	Share issued in lieu of dividends (Note 25(a))	Dividends approved in respect of the previous year (Note 7(b))	Share of changes in associated companies	Disposal of bank premises	Transfer to/ (from) reserve	Total comprehensive income for the period	At 30th June
Share capital	302,163	25	262	4,975	–	–	–	–	–	307,425
Share premium	1,041,643	1,070	5,816	351,560	–	–	–	–	–	1,400,089
Capital redemption reserve	769	–	–	–	–	–	–	–	–	769
Capital reserve	295,705	–	–	–	–	–	–	–	–	295,705
Statutory reserve	286,407	–	–	–	–	–	–	–	–	286,407
General reserve	2,206,672	–	–	–	–	–	–	–	49,601	2,256,273
Bank premises revaluation reserve	2,492,275	–	–	–	–	–	(5,710)	(13,763)	197,474	2,670,276
Investment revaluation reserve	404,338	–	–	–	–	(275)	–	–	(252,464)	151,599
Unappropriated profits	12,503,808	–	–	–	(489,808)	–	5,710	13,763	1,007,496	13,040,969
Total equity	19,533,780	1,095	6,078	356,535	(489,808)	(275)	–	–	1,002,107	20,409,512

Six months ended 31st December, 2013

	At 30th June	Share issued under Employee Incentive Plan (Note 4(f)) & (Note 25(a))	Dividends declared in respect of the current year (Note 7(b))	Share of changes in associated companies	Disposal of subsidiary	Transfer to/ (from) reserve	Total comprehensive income for the period	At 31st December
Share capital	307,425	–	–	–	–	–	–	307,425
Share premium	1,400,089	5,659	–	–	–	–	–	1,405,748
Capital redemption reserve	769	–	–	–	–	–	–	769
Capital reserve	295,705	–	–	–	–	3,371	–	299,076
Statutory reserve	286,407	–	–	–	–	27,617	–	314,024
General reserve	2,256,273	–	–	–	–	–	37,287	2,293,560
Bank premises revaluation reserve	2,670,276	–	–	–	(698,617)	(16,269)	177,866	2,133,256
Investment revaluation reserve	151,599	–	–	1,312	–	–	30,372	183,283
Unappropriated profits	13,040,969	–	(141,415)	–	698,617	(14,719)	1,179,627	14,763,079
Total equity	20,409,512	5,659	(141,415)	1,312	–	–	1,425,152	21,700,220

The notes on pages 13 to 64 form part of the unaudited interim financial report.

Unaudited Consolidated Cash Flow Statement

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	**Six months ended 30th June, 2014**	Six months ended 30th June, 2013
Net cash inflow from operating activities	28 (a)	**10,325,299**	2,541,238
Investing activities			
Purchase of held-to-maturity and available-for-sale financial assets		**(3,029,663)**	(4,654,824)
Sale and redemption of available-for-sale financial assets		**2,758,623**	3,951,833
Purchase of properties and equipment		**(26,292)**	(31,949)
Sale of properties and equipment		**4,573**	102,494
Net cash outflow from investing activities		**(292,759)**	(632,446)
Financing activities			
Issue of new shares under Share Option Scheme		**21,747**	1,095
Issue of new shares under Employee Incentive Plan		**495**	262
Dividends paid		**(499,175)**	(133,273)
Interest paid on subordinated liabilities		**(93,082)**	(177,116)
Net cash outflow from financing activities		**(570,015)**	(309,032)
Increase in cash and cash equivalents		**9,462,525**	1,599,760
Cash and cash equivalents at 1st January		**20,420,970**	19,132,435
Effect of foreign exchange rate changes		**(30,033)**	52,847
Cash and cash equivalents at 30th June	28 (b)	**29,853,462**	20,785,042
Analysis of the balances of cash and cash equivalents			
Cash and balances with banks, central banks and other financial institutions		**8,005,320**	5,802,111
Placements with banks, central banks and other financial institutions with an original maturity within three months		**18,979,783**	13,138,903
Treasury bills with an original maturity within three months		**2,868,359**	1,844,028
		29,853,462	20,785,042
Cash flows from operating activities included:			
Interest received		**3,235,835**	2,906,809
Interest paid		**1,238,463**	1,273,884
Dividend received		**6,420**	5,952

The notes on pages 13 to 64 form part of the unaudited interim financial report.

Notes to Unaudited Interim Financial Report

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION

The interim financial report of Wing Hang Bank, Limited ("the Bank") and its subsidiaries (collectively "the Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited, including compliance with the Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 21st August, 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Bank. It has also been reviewed by the Bank's independent auditor, KPMG, 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 71.

The financial information relating to the financial year ended 31st December, 2013 that is included in the interim financial report as being previously reported information does not constitute the Bank's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December, 2013 are available from the Bank's registered office. The Bank's independent auditor has expressed an unqualified opinion on those financial statements in its report dated 6th March, 2014.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Bank:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

HK(IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3. SEGMENT REPORTING

(a) Segment results and assets

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. The segment disclosure is based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters.

Hong Kong segment

This is mainly composed of retail banking activities, corporate banking activities and treasury activities.

Retail banking activities include acceptance of deposits, residential mortgages, hire purchase, consumer loans, wealth management, stock brokerage and insurance services.

Corporate banking activities include advance of commercial and industrial loans, trade financing and institutional banking.

Treasury activities include foreign exchange services, management of investment securities and trading activities.

Mainland China segment

This comprises the business of Wing Hang Bank (China) Limited and the Bank's Shenzhen branch for which the main businesses are on corporate banking activities.

3. SEGMENT REPORTING *(Continued)*

(a) *Segment results and assets (Continued)*

Macau segment

This comprises the business of Banco Weng Hang, S.A. for which the main business is on retail banking activities.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include tangible assets (include equipment of the Group and overseas bank premises), balance and placement with banks, central banks and other financial institutions and advances to bank which have been reported under Mainland China and Macau segments and financial assets with the exception of goodwill, interest in associated companies, taxation and other assets. Segment liabilities include deposits and financial liabilities.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The identification of reportable segments also considered geographical information which has been classified by the geographical location of the principal operations of the subsidiaries, or in the case of the Bank itself, of the geographical location of the branch responsible for reporting the results or booking the assets and liabilities.

"Others" in the reconciliation to the reported amount on the consolidated income statement and consolidated balance sheet mainly represent the management of shareholders' fund and equity shares.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

Six months ended 30th June, 2014

	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Net interest income	**848,325**	**227,016**	**138,660**	**1,214,001**	**362,324**	**259,051**	**1,835,376**
Non-interest income	**235,400**	**40,410**	**(22,640)**	**253,170**	**23,762**	**81,404**	**358,336**
Reportable segment revenue	**1,083,725**	**267,426**	**116,020**	**1,467,171**	**386,086**	**340,455**	**2,193,712**
Reportable segment profit before tax	**500,719**	**175,636**	**112,310**	**788,665**	**130,340**	**210,152**	**1,129,157**

3. SEGMENT REPORTING *(Continued)*

(a) *Segment results and assets* *(Continued)*

	Six months ended 30th June, 2013						
	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Net interest income	776,425	221,464	185,654	1,183,543	300,270	207,016	1,690,829
Non-interest income	237,505	38,296	67,241	343,042	7,372	82,366	432,780
Reportable segment revenue	1,013,930	259,760	252,895	1,526,585	307,642	289,382	2,123,609
Reportable segment profit before tax	471,497	177,296	292,166	940,959	48,155	216,567	1,205,681

	30th June, 2014						
	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Reportable segment assets	**59,344,405**	**47,948,394**	**27,009,726**	**134,302,525**	**38,558,787**	**31,988,718**	**204,850,030**

	31st December, 2013						
	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Reportable segment assets	56,635,202	45,328,393	29,810,773	131,774,368	39,466,485	30,554,331	201,795,184

(b) *Reconciliations of reportable segment revenue, profit before taxation and assets*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Revenue		
Reportable segment revenue	**2,193,712**	2,123,609
Other revenue	**2,463**	876
Elimination of inter-segment revenue	**(85,431)**	(88,005)
Consolidated operating income	**2,110,744**	2,036,480

3. SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment revenue, profit before taxation and assets *(Continued)*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Profit before taxation		
Reportable segment profit before taxation	**1,129,157**	1,205,681
Share of net gains of associated companies	**26,166**	12,633
Other expenses and net losses	**(54,092)**	(35,613)
Consolidated profit before taxation	**1,101,231**	1,182,701

	30th June, 2014	31st December, 2013
Assets		
Reportable segment assets	**204,850,030**	201,795,184
Balance and placements with banks, central banks and other financial institutions	**17,033,765**	11,561,298
Investments in associated companies	**278,606**	252,554
Tangible fixed assets	**3,326,765**	3,318,010
Goodwill	**1,306,430**	1,306,430
Current tax recoverable	**10,412**	7,322
Deferred tax assets	**29,624**	28,833
Other assets	**9,129,961**	8,610,163
Elimination of inter-segment assets	**(12,626,520)**	(12,503,905)
Consolidated total assets	**223,339,073**	214,375,889

4. OPERATING PROFIT

(a) Interest income

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Interest income arising from:		
– financial assets not measured at fair value through profit or loss	**3,021,192**	2,604,344
– trading assets	**92,301**	132,031
– financial assets designated at fair value through profit or loss	**108,721**	140,584
	3,222,214	2,876,959
of which:		
– interest income from listed investments	**244,929**	271,913
– interest income from unlisted investments	**161,963**	230,703
– interest income from impaired financial assets	**4,261**	10,590

(b) Interest expense

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Interest expense arising from:		
– financial liabilities not measured at fair value through profit or loss	**1,268,978**	1,061,507
– trading liabilities	**106,832**	121,399
– financial liabilities designated at fair value through profit or loss	**93,082**	93,473
	1,468,892	1,276,379
of which:		
– interest expense for subordinated liabilities (note 28(a))	**93,082**	177,116

4. OPERATING PROFIT *(Continued)*

(c) Other operating income

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Fees and commission		
Credit commission and fees	**84,765**	84,675
Credit card related fees	**86,743**	83,606
Trade related fees	**38,899**	28,836
Insurance commission	**52,632**	50,296
Stockbroking fees	**55,866**	60,198
Trust fees	**38**	38
Wealth management fees	**14,406**	11,327
Other fees and commission income	**47,962**	49,407
Less: Fees and commission expenses	**(44,429)**	(43,469)
	336,882	324,914
Gains arising from dealing in foreign currencies (note 4(e))	**70,762**	71,415
Gains on other dealing activities (note 4(e))	**638**	3,116
Dividend income from unlisted available-for-sale financial assets	**6,007**	5,561
Dividend income from listed available-for-sale financial assets	**448**	380
Dividend income from listed trading investments	**64**	135
Rental income from investment properties less direct outgoings of HK$25,000 (30th June, 2013: HK$1,482,000)	**2,263**	10,027
Others	**6,855**	8,207
	423,919	423,755
of which:		
Net fees and commission, other than amounts included in determining the effective interest rate, arising from financial instruments that are not held for trading nor designated at fair value through profit or loss		
– fees and commission income	**132,775**	123,490
– fees and commission expenses	**(3)**	(3)
	132,772	123,487

4. OPERATING PROFIT *(Continued)*

(d) *Net (losses)/gains from trading and financial instruments designated at fair value through profit or loss*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Net realised and unrealised (losses)/gains on trading financial instruments (note 4(e))	**(28,555)**	233,556
Net realised and unrealised losses on financial instruments designated at fair value through profit or loss:		
– unrealised (losses)/gains on subordinated liabilities	**(106,847)**	54,229
– realised and unrealised gains on collateralised debt obligations ("CDO")	**–**	14,237
– realised and unrealised gains/(losses) on other financial instruments	**68,905**	(289,877)
	(37,942)	(221,411)
	(66,497)	12,145

(e) *Net trading gains*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Gains arising from dealing in foreign currencies (note 4(c))	**70,762**	71,415
Gains on other dealing activities (note 4(c))	**638**	3,116
Net realised and unrealised (losses)/gains on trading financial instruments (note 4(d))	**(28,555)**	233,556
	42,845	308,087

(f) *Operating expenses*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Staff costs		
Salaries and other staff costs	**620,137**	583,951
Retirement benefit costs	**36,685**	35,989
Employee Incentive Plan ("EIP") – fair value of awards (note 28(a))	**4,566**	5,816
EIP – bonus	**2,533**	3,095
	663,921	628,851
Premises and equipment expenses, excluding depreciation	**141,611**	129,945
Depreciation (notes 16 & 28(a))	**101,663**	109,591
Others	**145,961**	140,728
	1,053,156	1,009,115

5. (a) *Net (losses)/gains on revaluation of properties and disposal of tangible fixed assets*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Unrealised revaluation gains of investment properties (note 16)	**1,300**	43,049
Net (losses)/gains on disposal of tangible fixed assets	**(1,836)**	53,295
	(536)	96,344

(b) *Gains on disposal of available-for-sale financial assets*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Net unrealised gains transferred from investment revaluation reserve upon disposal	**38,210**	80,702
Net gains on disposal of available-for-sale financial assets	**11,030**	8,839
	49,240	89,541

6. TAXATION

Taxation in the consolidated income statement represents:

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Current tax – Provision for Hong Kong profits tax	**119,632**	135,045
Current tax – Provision for tax outside Hong Kong	**46,599**	47,196
Deferred taxation	**2,221**	(7,036)
	168,452	175,205

The provision for Hong Kong profits tax is calculated at 16.5% (30th June, 2013: 16.5%) of the Group's estimated assessable profits for the six months ended 30th June, 2014. The provision for taxation outside Hong Kong is provided at the appropriate current rates of taxation ruling in the region in which the relevant units of the Group operate.

7. DIVIDENDS

(a) *Dividends attributable to the period*

The following interim dividend was declared by the Board of Directors after the balance sheet date and has not been recognised as a liability at the balance sheet date.

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
No interim dividend declared (30th June, 2013: HK$0.46 per ordinary share on 307,424,722 shares)	**–**	141,415

(b) *Dividends attributable to the previous year, approved and paid during the period*

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Underprovision of final dividend in respect of the prior year	**1,147**	304
Final dividend in respect of the prior year, approved and paid during the period, of HK$1.62 (30th June, 2013: HK$1.62) per ordinary share on 307,424,722 shares (30th June, 2013: 302,162,900 shares)	**498,028**	489,504
	499,175	489,808

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the Bank's shareholders for the six months ended 30th June, 2014 of HK$932,779,000 (30th June, 2013: HK$1,007,496,000) and on the weighted average number of ordinary shares of 307,822,081 shares (30th June, 2013: 302,429,496 shares) in issue during the period.

	30th June, 2014	30th June, 2013
	Number of shares of HK$1.00 each	Number of shares of HK$1.00 each
Issued ordinary shares at 1st January	**307,424,722**	302,162,900
Effect of shares issued in lieu of dividends	**–**	164,911
Effect of share option exercised	**226,188**	6,768
Effect of EIP exercised	**171,171**	94,917
Weighted average number of ordinary shares used in calculating basic earnings per share	**307,822,081**	302,429,496

8. EARNINGS PER SHARE *(Continued)*

The calculation of diluted earnings per share is based on profit attributable to the Bank's shareholders for the six months ended 30th June, 2014 of HK$932,779,000 (30th June, 2013: HK$1,007,496,000) and on the weighted average number of ordinary shares of 309,545,887 shares (30th June, 2013: 304,578,992 shares) in issue during the period after adjustment for the effects of all dilutive potential ordinary shares of 1,723,806 shares (30th June, 2013: 2,149,496 shares).

	30th June, 2014	30th June, 2013
	Number of shares of HK$1.00 each	Number of shares of HK$1.00 each
Weighted average number of ordinary shares used in calculating basic earnings per share	**307,822,081**	302,429,496
Deemed exercise of Share Option Scheme	**132,563**	198,433
Deemed exercise of EIP	**1,591,243**	1,951,063
Weighted average number of ordinary shares used in calculating diluted earnings per share	**309,545,887**	304,578,992

9. CASH AND BALANCES WITH BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2014	31st December, 2013
Cash balances	**829,013**	954,066
Balances with central banks	**5,835,660**	5,233,050
Balances with banks	**1,364,836**	1,377,350
	8,029,509	7,564,466

10. PLACEMENTS WITH BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2014	31st December, 2013
Placements with banks	**24,635,876**	19,216,094

11. TRADING ASSETS

	30th June, 2014	31st December, 2013
Debt securities:		
Listed in Hong Kong	**343,648**	348,299
Listed outside Hong Kong	**–**	98,466
	343,648	446,765
Unlisted	**984,828**	1,018,831
	1,328,476	1,465,596
Equity securities listed in Hong Kong	**1,781**	7,639
Total trading securities	**1,330,257**	1,473,235
Positive fair values of derivative financial instruments held for trading	**742,540**	967,509
	2,072,797	2,440,744
Trading debt securities include:		
Treasury bills	**1,092,801**	1,101,294
Other trading debt securities	**235,675**	364,302
	1,328,476	1,465,596

Trading securities analysed by counterparty are as follows:

	30th June, 2014	31st December, 2013
Issued by:		
Sovereigns	**1,092,801**	1,101,294
Public sector entities	**7**	4
Banks	**124,548**	143,435
Corporates	**112,901**	228,502
	1,330,257	1,473,235

12. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June, 2014	31st December, 2013
Debt securities:		
Listed in Hong Kong	**2,858,241**	3,072,464
Listed outside Hong Kong	**3,605,729**	4,146,761
	6,463,970	7,219,225
Unlisted	**677,256**	1,001,815
	7,141,226	8,221,040
Debt securities designated at fair value through profit or loss include:		
Treasury bills	**68,591**	67,133
Other debt securities designated at fair value through profit or loss	**7,072,635**	8,153,907
	7,141,226	8,221,040

Financial assets designated at fair value through profit or loss analysed by counterparty are as follows:

	30th June, 2014	31st December, 2013
Issued by:		
Sovereigns	**68,591**	67,133
Public sector entities	**745,553**	816,776
Banks	**2,018,048**	2,256,086
Corporates	**4,309,034**	5,081,045
	7,141,226	8,221,040

13. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

(a) Advances to customers and other accounts

	30th June, 2014	31st December, 2013
Gross advances to customers	**141,783,307**	135,323,268
Individual impairment allowances for impaired loans and advances (note 13(d))	**(83,729)**	(57,597)
Collective impairment allowances for loans and advances (note 13(d))	**(217,216)**	(223,602)
Net advances to customers	**141,482,362**	135,042,069
Gross trade bills	**4,829,387**	4,870,221
Individual impairment allowances for impaired trade bills (note 13(d))	**(1,033)**	(1,102)
Collective impairment allowances for trade bills (note 13(d))	**(43)**	(64)
Net trade bills	**4,828,311**	4,869,055
Advances to banks	**–**	–
Customer liability under acceptances	**359,859**	295,398
Interest receivable	**584,745**	598,366
Amount receivable for sale of debt securities	**224,770**	150,000
Other accounts	**1,232,903**	1,401,811
	148,712,950	142,356,699

13. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS *(Continued)*

(b) *Advances to customers analysed by industry sectors*

The information concerning advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances and is stated gross of any impairment allowances.

	30th June, 2014			31st December, 2013		
	Gross advances to customers	% of gross advances covered by collateral	Impaired advances to customers	Gross advances to customers	% of gross advances covered by collateral	Impaired advances to customers
Advances for use in Hong Kong						
Industrial, commercial and financial						
– Property development	**2,580,365**	**51.0**	**–**	2,322,289	38.2	–
– Property investment	**19,871,554**	**99.4**	**–**	20,319,089	98.4	535
– Financial concerns	**2,955,324**	**21.9**	**–**	2,646,191	18.5	–
– Stockbrokers	**1,619,971**	**25.9**	**–**	972,169	88.2	–
– Wholesale and retail trade	**5,540,556**	**70.6**	**17,546**	4,482,444	36.1	3,843
– Manufacturing	**2,698,920**	**54.1**	**32,175**	2,566,710	49.5	27,196
– Transport and transport equipment	**9,461,106**	**84.7**	**19,493**	8,595,709	87.0	16,749
– Information technology	**10,673**	**33.5**	**–**	11,737	28.5	–
– Share financing	**344,285**	**77.7**	**–**	271,927	99.1	5,020
– Recreational activities	**52,257**	**–**	**–**	52,313	–	–
– Others	**4,277,226**	**55.8**	**8,908**	4,449,946	54.7	11,065
Individuals						
– Advances for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	**2,421,358**	**100.0**	**1,396**	2,453,155	100.0	345
– Advances for the purchase of other residential properties	**25,972,419**	**100.0**	**2,029**	23,287,360	99.9	2,930
– Credit card advances	**269,790**	**0.8**	**1,359**	256,959	0.7	3,014
– Others	**7,982,877**	**72.3**	**62,299**	7,824,778	68.6	63,530
	86,058,681	**84.0**	**145,205**	80,512,776	82.5	134,227
Trade finance	**8,676,784**	**76.7**	**11,468**	9,446,963	72.1	11,768
Advances for use outside Hong Kong						
– Mainland China	**26,446,830**	**59.6**	**313,519**	25,900,373	58.5	397,944
– Macau	**19,142,897**	**91.8**	**25,730**	18,483,267	91.3	50,650
– Others	**1,458,115**	**58.5**	**–**	979,889	25.9	–
	47,047,842	**72.6**	**339,249**	45,363,529	71.1	448,594
	141,783,307	**79.8**	**495,922**	135,323,268	78.0	594,589

13. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS *(Continued)*

(c) *Impaired advances to customers*

The gross impaired advances to customers, market value of collateral held with respect to such advances and individual impairment allowances are as follows:

	30th June, 2014	31st December, 2013
Gross impaired advances to customers	**495,922**	594,589
Gross impaired advances to customers as a percentage of total advances to customers	**0.35%**	0.44%
Market value of collateral held with respect to impaired advances to customers	**447,062**	536,675
Individual impairment allowances	**83,729**	57,597

Impaired advances to customers are individually assessed loans with objective evidence of impairment on an individual basis. Individually assessed impairment allowances were made after taking into account the net present value of future recoverable amounts in respect of such loans and advances, and the collateral held mainly comprised properties and vehicles.

There are no impaired advances to banks nor individual impairment allowances made on advances to banks as at 30th June, 2014 and 31st December, 2013.

(d) *Impairment allowances for loans and advances*

	Six months ended 30th June, 2014		
	Individual	Collective	Total
At 1st January	**58,699**	**223,666**	**282,365**
Additions	**74,374**	**–**	**74,374**
Releases	**(36,740)**	**(6,407)**	**(43,147)**
Net charges/(releases) to consolidated income statement	**37,634**	**(6,407)**	**31,227**
Unwind of discount of loan impairment losses	**1,961**	**–**	**1,961**
Recoveries of advances written off in prior years	**26,120**	**–**	**26,120**
Amounts written off	**(39,652)**	**–**	**(39,652)**
At 30th June	**84,762**	**217,259**	**302,021**
Representing impairment allowances for:			
Trade bills (note 13(a))	**1,033**	**43**	**1,076**
Advances to customers (note 13(a))	**83,729**	**217,216**	**300,945**
	84,762	**217,259**	**302,021**

13. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS *(Continued)*

(d) *Impairment allowances for loans and advances* *(Continued)*

	Year ended 31st December, 2013		
	Individual	Collective	Total
At 1st January	82,593	256,324	338,917
Additions	140,744	–	140,744
Releases	(21,739)	(32,658)	(54,397)
Net charges/(releases) to consolidated income statement	119,005	(32,658)	86,347
Unwind of discount of loan impairment loss	(12,384)	–	(12,384)
Recoveries of advances written off in prior years	19,413	–	19,413
Amounts written off	(149,928)	–	(149,928)
At 31st December	58,699	223,666	282,365
Representing impairment allowances for:			
Trade bills (note 13(a))	1,102	64	1,166
Advances to customers (note 13(a))	57,597	223,602	281,199
	58,699	223,666	282,365

(e) *Repossessed assets*

At 30th June, 2014, repossessed assets obtained as securities for impaired advances to customers totalled HK$34,981,000 (31st December, 2013: HK$350,168,000).

14. HELD-TO-MATURITY INVESTMENTS

	30th June, 2014	31st December, 2013
Held-to-maturity debt securities:		
Listed in Hong Kong	**1,641,357**	1,548,050
Listed outside Hong Kong	**730,769**	725,427
	2,372,126	2,273,477
Unlisted	**1,856,052**	2,118,289
	4,228,178	4,391,766
Held-to-maturity debt securities include:		
Treasury bills	**415,741**	941,232
Certificates of deposit held	**546,398**	518,782
Other held-to-maturity debt securities	**3,266,039**	2,931,752
	4,228,178	4,391,766

Held-to-maturity investments analysed by counterparty are as follows:

	30th June, 2014	31st December, 2013
Issued by :		
Sovereigns	**415,741**	941,232
Public sector entities	**150,217**	150,344
Banks	**1,042,715**	999,976
Corporates	**2,619,505**	2,300,214
	4,228,178	4,391,766
Market value of listed held-to-maturity debt securities	**2,416,341**	2,276,745
Fair value of unlisted held-to-maturity debt securities	**1,848,163**	2,103,257

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30th June, 2014	31st December, 2013
Available-for-sale debt securities:		
Listed in Hong Kong	**2,843,992**	2,382,540
Listed outside Hong Kong	**3,436,681**	3,755,463
	6,280,673	6,138,003
Unlisted	**15,853,383**	17,809,373
	22,134,056	23,947,376
Available-for-sale equity securities:		
Listed in Hong Kong	**4,170**	3,760
Listed outside Hong Kong	**117,496**	126,085
	121,666	129,845
Unlisted	**86,194**	86,194
	207,860	216,039
	22,341,916	24,163,415
Available-for-sale debt securities include:		
Treasury bills	**10,229,093**	12,235,048
Certificates of deposit held	**1,038,544**	868,532
Other available-for-sale debt securities	**10,866,419**	10,843,796
	22,134,056	23,947,376

Available-for-sale financial assets analysed by counterparty are as follows:

	30th June, 2014	31st December, 2013
Issued by:		
Sovereigns	**10,229,093**	12,235,048
Public sector entities	**1,008,940**	1,281,575
Banks	**7,447,566**	7,119,696
Corporates	**3,656,317**	3,527,096
	22,341,916	24,163,415

16. TANGIBLE FIXED ASSETS

	Six months ended 30th June, 2014				
	Investment properties	Bank premises	Equipment	Bank premises and equipment	Total
Cost or valuation					
At 1st January	**163,100**	**4,193,135**	**1,157,413**	**5,350,548**	**5,513,648**
Additions	**–**	**42**	**26,250**	**26,292**	**26,292**
Disposals	**–**	**(3,432)**	**(21,340)**	**(24,772)**	**(24,772)**
Surplus on revaluation					
– credited to bank premises revaluation reserve	**–**	**204,513**	**–**	**204,513**	**204,513**
– credited to consolidated income statement (note 5(a))	**1,300**	**–**	**–**	**–**	**1,300**
Elimination of accumulated depreciation on revalued bank premises	**–**	**(30,072)**	**–**	**(30,072)**	**(30,072)**
Exchange adjustment	**–**	**(563)**	**(588)**	**(1,151)**	**(1,151)**
At 30th June	**164,400**	**4,363,623**	**1,161,735**	**5,525,358**	**5,689,758**
The analysis of cost or valuation of the above assets is as follows:					
At cost (note (a))	**–**	**1,346,593**	**1,161,735**	**2,508,328**	**2,508,328**
At valuation 2014	**164,400**	**3,017,030**	**–**	**3,017,030**	**3,181,430**
	164,400	**4,363,623**	**1,161,735**	**5,525,358**	**5,689,758**
Accumulated depreciation					
At 1st January	**–**	**227,549**	**859,573**	**1,087,122**	**1,087,122**
Charge for the period (note 4(f))	**–**	**46,128**	**55,535**	**101,663**	**101,663**
Written back on disposals	**–**	**(6)**	**(18,357)**	**(18,363)**	**(18,363)**
Elimination of accumulated depreciation on revalued bank premises	**–**	**(30,072)**	**–**	**(30,072)**	**(30,072)**
Exchange adjustment	**–**	**79**	**(1,395)**	**(1,316)**	**(1,316)**
At 30th June	**–**	**243,678**	**895,356**	**1,139,034**	**1,139,034**
Net book value (note (b))					
At 30th June	**164,400**	**4,119,945**	**266,379**	**4,386,324**	**4,550,724**

16. TANGIBLE FIXED ASSETS *(Continued)*

	Year ended 31st December, 2013				
	Investment properties	Bank premises	Equipment	Bank premises and equipment	Total
Cost or valuation					
At 1st January	899,342	4,466,400	1,144,750	5,611,150	6,510,492
Additions	–	777	68,734	69,511	69,511
Disposals	(748,142)	(637,057)	(57,323)	(694,380)	(1,442,522)
Surplus on revaluation					
– credited to bank premises revaluation reserve	–	413,394	–	413,394	413,394
– credited to consolidated income statement	11,900	–	–	–	11,900
Elimination of accumulated depreciation on revalued bank premises	–	(52,180)	–	(52,180)	(52,180)
Exchange adjustment	–	1,801	1,252	3,053	3,053
At 31st December	163,100	4,193,135	1,157,413	5,350,548	5,513,648
The analysis of cost or valuation of the above assets is as follows:					
At cost (note (a))	–	1,347,145	1,157,413	2,504,558	2,504,558
At valuation 2013	163,100	2,845,990	–	2,845,990	3,009,090
	163,100	4,193,135	1,157,413	5,350,548	5,513,648
Accumulated depreciation					
At 1st January	–	198,251	778,994	977,245	977,245
Charge for the year	–	87,179	127,181	214,360	214,360
Written back on disposals	–	(7,185)	(48,375)	(55,560)	(55,560)
Elimination of accumulated depreciation on revalued bank premises	–	(52,180)	–	(52,180)	(52,180)
Exchange adjustment	–	1,484	1,773	3,257	3,257
At 31st December	–	227,549	859,573	1,087,122	1,087,122
Net book value (note (b))					
At 31st December	163,100	3,965,586	297,840	4,263,426	4,426,526

(a) The fair value of Group's bank premises held for non-administrative use which are stated at cost was HK$5,690,644,000 (31st December, 2013: HK$5,267,430,000) as revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited at 30th June, 2014. The fair values are within level 3 of the fair value hierarchy. The valuation techniques and inputs used in Level 3 fair value measurements are the same as those used for bank premises held for administrative use, which are set out in note 16(b)(ii).

16. TANGIBLE FIXED ASSETS *(Continued)*

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3: Fair value measured using significant unobservable inputs.

	30th June, 2014			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Investment properties	**–**	**–**	**164,400**	**164,400**
Bank premises held for administrative use	**–**	**–**	**3,017,030**	**3,017,030**
	–	**–**	**3,181,430**	**3,181,430**

	31st December, 2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Investment properties	–	–	163,100	163,100
Bank premises held for administrative use	–	–	2,845,990	2,845,990
	–	–	3,009,090	3,009,090

During the period ended 30th June, 2014, there were no transfers between Level 1 and Level 2, nor transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties and bank premises held for administrative use were revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited as at 30th June, 2014, who have among their staff, Fellows of the Hong Kong Institute of Surveyors, with recent experience in the location and category of property being valued.

16. TANGIBLE FIXED ASSETS *(Continued)*

(b) Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Ranges
Investment properties and bank premises held for administrative use	Direct comparison approach	Premium (discount) on quality of the properties	-30% to 30%

The fair value of investment properties and bank premises are determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Six months ended 30th June, 2014	
	Investment properties	Bank premises
Cost or valuation		
At 1st January	**163,100**	**2,845,990**
Additions	**–**	**31**
Disposals	**–**	**(3,432)**
Transfer from bank premises to investment properties	**–**	**–**
Depreciation charge for the period	**–**	**(30,078)**
Depreciation written back on disposals for the period	**–**	**6**
Surplus on revaluation		
– credited to bank premises revaluation reserve	**–**	**204,513**
– credited to consolidated income statement	**1,300**	**–**
At 30th June	**164,400**	**3,017,030**

16. TANGIBLE FIXED ASSETS *(Continued)*

(b) Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements *(Continued)*

	Year ended 31st December, 2013	
	Investment properties	Bank premises
Cost or valuation		
At 1st January	899,342	3,104,078
Additions	–	743
Disposals	(748,142)	(620,045)
Transfer from bank premises to investment properties	–	–
Depreciation charge for the year	–	(54,959)
Depreciation written back on disposals for the year	–	2,779
Surplus on revaluation		
– credited to bank premises revaluation reserve	–	413,394
– credited to consolidated income statement	11,900	–
At 31st December	163,100	2,845,990

Fair value adjustment of investment properties is recognised in the line item "Net gains on revaluation of properties and disposal of tangible fixed assets" on the face of the consolidated income statement.

Surplus on revaluation of bank premises are recognised in other comprehensive income in "Bank premises revaluation reserve".

All the gains recognised in the income statement for the period arise from the properties held at the end of the reporting period.

17. GOODWILL

	Six months ended 30th June, 2014	Year ended 31st December, 2013
Cost		
At 30th June/31st December	**1,307,600**	1,307,600
Accumulated impairment loss		
At 30th June/31st December	**1,170**	1,170
Net book value		
At 30th June/31st December	**1,306,430**	1,306,430

18. DEPOSITS AND BALANCES OF BANKS, CENTRAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	30th June, 2014	31st December, 2013
Deposits from central banks	5,811	907,522
Deposits from banks	2,114,302	2,350,800
	2,120,113	3,258,322

19. DEPOSITS FROM CUSTOMERS

	30th June, 2014	31st December, 2013
Demand deposits and current accounts	25,099,929	25,871,964
Savings deposits	26,853,692	27,325,626
Time, call and notice deposits	134,147,985	124,712,370
	186,101,606	177,909,960

20. CERTIFICATES OF DEPOSIT ISSUED

	30th June, 2014	31st December, 2013
Certificates of deposit issued at amortised cost	5,089,517	4,186,223
	5,089,517	4,186,223

21. TRADING LIABILITIES

Trading liabilities represent negative fair values of derivative financial instruments held for trading.

22. OTHER ACCOUNTS AND PROVISIONS

	30th June, 2014	31st December, 2013
Acceptances outstanding	359,859	295,398
Interest payable	929,679	792,346
Amount payable for purchase of debt securities	441,790	150,020
Other payables	1,632,818	1,784,165
	3,364,146	3,021,929

23. SUBORDINATED LIABILITIES

	30th June, 2014	31st December, 2013
US$400 million 6.00% step-up perpetual subordinated notes, designated at fair value through profit or loss (note (a))	**3,274,748**	3,169,279
	3,274,748	3,169,279

(a) On 19th April, 2007, the Bank issued step-up perpetual subordinated notes which is included in tier 2 capital and subject to phase out, with a face value of HK$3,125,520,000 (US$400,000,000). The notes bear interest at a fixed rate of 6.00% per annum until 19th April, 2017 and are floating at LIBOR plus 1.85% per annum thereafter if the notes are not early redeemed at the option of the Bank. Despite the Bank has the option to defer making payment of interest on the subordinated notes, interest payable on each interest payment date will be made by the Bank provided that the Bank has generated sufficient positive distributable profits during the 12 months preceding the interest payment date. The notes are listed on the Singapore Exchange Securities Trading Limited.

At 30th June, 2014, the carrying amount of the step-up perpetual subordinated notes designated at fair value through profit or loss are higher than their contractual amount payable at redemption for the Group by HK$174,468,000 (31st December, 2013: HK$67,759,000). The change in fair value of this step-up perpetual subordinated notes is recognised as "net (losses)/gains from trading and financial instruments designated at fair value through profit or loss" in the consolidated income statement. This change in fair value which is attributable to change in credit risk for the period ended 30th June, 2014 is a loss of HK$161,658,000 (31st December, 2013: HK$125,558,000) and the accumulated amount of this change is a gain of HK$186,528,000 (31st December, 2013: HK$348,186,000).

24. MATURITY PROFILE

The following maturity profile of the assets and liabilities are based on the remaining periods to repayment at the balance sheet date.

	30th June, 2014							
	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated	Total
Assets								
Cash and balances with banks, central banks and other financial institutions	8,029,509	–	–	–	–	–	–	8,029,509
Placements with banks, central banks and other financial institutions	–	13,852,835	6,089,430	4,693,611	–	–	–	24,635,876
Trading assets	–	144,304	37,454	238,781	907,937	–	744,321	2,072,797
Financial assets designated at fair value through profit or loss	–	77,705	409,476	803,942	4,814,922	1,035,181	–	7,141,226
Advances to customers	2,131,697	8,628,334	8,451,788	22,395,575	50,055,052	49,678,470	141,446	141,482,362
Trade bills	29,987	1,240,535	1,312,754	2,244,921	–	–	114	4,828,311
Advances to banks	–	–	–	–	–	–	–	–
Held-to-maturity investments	–	–	306,409	917,586	2,296,304	707,879	–	4,228,178
Available-for-sale financial assets	–	2,887,548	4,184,887	3,663,795	10,935,638	462,188	207,860	22,341,916
Other assets	275	1,448,480	257,069	187,488	121,621	98	6,563,867	8,578,898
Total assets	10,191,468	28,279,741	21,049,267	35,145,699	69,131,474	51,883,816	7,657,608	223,339,073
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	296,684	1,644,765	116,194	62,470	–	–	–	2,120,113
Deposits from customers	51,861,704	59,889,007	40,388,944	28,868,887	5,093,064	–	–	186,101,606
Certificates of deposit issued	–	–	229,987	1,642,630	2,716,900	500,000	–	5,089,517
Trading liabilities	–	–	–	–	–	–	602,542	602,542
Subordinated liabilities	–	–	–	–	–	–	3,274,748	3,274,748
Other liabilities	–	2,052,430	371,104	703,716	485,298	–	201,462	3,814,010
Total liabilities	52,158,388	63,586,202	41,106,229	31,277,703	8,295,262	500,000	4,078,752	201,002,536
Net assets/(liabilities) gap	(41,966,920)	(35,306,461)	(20,056,962)	3,867,996	60,836,212	51,383,816	3,578,856	22,336,537
of which:								
Certificates of deposit held								
– included in trading assets	–	–	–	–	–	–	–	–
– included in held-to-maturity investments	–	–	–	–	546,398	–	–	546,398
– included in available-for-sale financial assets	–	–	–	–	1,038,544	–	–	1,038,544
Debt securities								
– included in trading assets	–	144,304	37,454	238,781	907,937	–	–	1,328,476
– included in financial assets designated at fair value through profit or loss	–	77,705	409,476	803,942	4,814,922	1,035,181	–	7,141,226
– included in held-to-maturity investments	–	–	306,409	917,586	1,749,906	707,879	–	3,681,780
– included in available-for-sale financial assets	–	2,887,548	4,184,887	3,663,795	9,897,094	462,188	–	21,095,512

24. MATURITY PROFILE *(Continued)*

	31st December, 2013							
	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Undated	Total
Assets								
Cash and balances with banks, central banks and other financial institutions	7,564,466	–	–	–	–	–	–	7,564,466
Placements with banks, central banks and other financial institutions	–	13,551,706	2,848,128	2,816,260	–	–	–	19,216,094
Trading assets	–	95,994	–	250,897	1,118,705	–	975,148	2,440,744
Financial assets designated at fair value through profit or loss	–	256,318	–	946,897	5,924,213	1,093,612	–	8,221,040
Advances to customers	2,008,897	8,609,660	6,797,536	22,009,964	48,392,380	46,912,162	311,470	135,042,069
Trade bills	58,907	872,924	1,734,842	2,202,210	–	–	172	4,869,055
Advances to banks	–	–	–	–	–	–	–	–
Held-to-maturity investments	–	63,533	378,180	368,608	2,941,149	640,296	–	4,391,766
Available-for-sale financial assets	–	3,077,557	3,383,440	5,589,448	11,548,657	348,274	216,039	24,163,415
Other assets	72,667	1,492,893	249,095	131,602	114,887	1,586	6,404,510	8,467,240
Total assets	9,704,937	28,020,585	15,391,221	34,315,886	70,039,991	48,995,930	7,907,339	214,375,889
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	1,042,344	849,360	1,366,618	–	–	–	–	3,258,322
Deposits from customers	53,132,496	57,907,251	36,234,015	26,206,979	4,429,219	–	–	177,909,960
Certificates of deposit issued	–	–	–	1,769,698	2,416,525	–	–	4,186,223
Trading liabilities	–	–	–	–	–	–	773,110	773,110
Subordinated liabilities	–	–	–	–	–	–	3,169,279	3,169,279
Other liabilities	–	1,977,564	294,765	618,002	287,850	–	200,594	3,378,775
Total liabilities	54,174,840	60,734,175	37,895,398	28,594,679	7,133,594	–	4,142,983	192,675,669
Net assets/(liabilities) gap	(44,469,903)	(32,713,590)	(22,504,177)	5,721,207	62,906,397	48,995,930	3,764,356	21,700,220
of which:								
Certificates of deposit held								
– included in trading assets	–	–	–	–	–	–	–	–
– included in held-to-maturity investments	–	–	–	–	518,782	–	–	518,782
– included in available-for-sale financial assets	–	–	–	–	868,532	–	–	868,532
Debt securities								
– included in trading assets	–	95,994	–	250,897	1,118,705	–	–	1,465,596
– included in financial assets designated at fair value through profit or loss	–	256,318	–	946,897	5,924,213	1,093,612	–	8,221,040
– included in held-to-maturity investments	–	63,533	378,180	368,608	2,422,367	640,296	–	3,872,984
– included in available-for-sale financial assets	–	3,077,557	3,383,440	5,589,448	10,680,125	348,274	–	23,078,844

25. SHARE CAPITAL AND RESERVES

(a) Share capital

As at 31st December, 2013, 450,000,000 ordinary shares, with par value of $1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March, 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amount standing to the credit of the share premium account and the capital redemption reserve on 3rd March, 2014 have become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

	30th June, 2014		31st December, 2013	
	No. of shares		No. of shares	
Issued and fully paid:				
At 1st January	**307,424,722**	**307,425**	302,162,900	302,163
Transition to no-par value regime on 3rd March, 2014	**–**	**1,406,517**	–	–
Shares issued under Share Option Scheme	**460,000**	**21,747**	25,000	25
Shares issued under EIP	**495,500**	**5,061**	262,000	262
Shares issued in lieu of dividends	**–**	**–**	4,974,822	4,975
At 30th June/31st December	**308,380,222**	**1,740,750**	307,424,722	307,425

(i) Share Option Scheme

During the six months ended 30th June, 2014, options were exercised to subscribe for ordinary shares of 460,000 (year ended 31st December, 2013: 25,000) shares in the Bank at a consideration of HK$21,747,000 (year ended 31st December, 2013: HK$1,095,000). At balance sheet date, the options were fully exercised.

		30th June, 2014	31st December, 2013
Date of options granted	Exercise price HK$	Number of shares	Number of shares
21/05/2004	43.80	–	240,000
14/01/2005	51.25	–	180,000
28/01/2005	50.25	–	40,000
		–	460,000

At 30th June, 2014, there was no option outstanding. Therefore, the weighted average remaining contractual life of share options is not applicable (31st December, 2013: weighted average remaining contractual life of 0.70 years).

25. SHARE CAPITAL AND RESERVES *(Continued)*

(a) Share capital (Continued)

(ii) EIP

The Group grants awards at no consideration for certain employees to acquire ordinary shares in the Bank under the EIP. The shares will be acquired at a nominal value of HK$1.00 per share under the award. If the Board of Directors determines to select the cash option when shares vest, which is available under the plan, no new shares will be issued on the date of vesting. The percentage of awards vested between the sixth to the tenth anniversaries after the date of grant is as follows:

Date	Percentage of award vesting
Sixth anniversary of the date of grant	5%
Seventh anniversary of the date of grant	10%
Eighth anniversary of the date of grant	15%
Ninth anniversary of the date of grant	20%
Tenth anniversary of the date of grant	50%

During the six months ended 30th June, 2014, awards under the EIP were exercised to subscribe for ordinary shares of 495,500 (year ended 31st December, 2013: 262,000) shares in the Bank at a consideration of HK$495,500 (year ended 31st December, 2013: HK$262,000).

At 30th June, 2014, the outstanding awards under the EIP are:

		30th June, 2014		31st December, 2013	
Date of awards granted	Exercise price HK$	Fair value of awards at date of grant	Number of shares	Fair value of awards at date of grant	Number of shares
21/05/2004	1.00	**–**	**–**	10,593,000	247,500
23/01/2006	1.00	**61,370,400**	**1,092,000**	74,521,200	1,326,000
29/01/2007	1.00	**11,257,400**	**119,000**	12,581,800	133,000
05/11/2009	1.00	**7,822,500**	**105,000**	7,822,500	105,000
		80,450,300	**1,316,000**	105,518,500	1,811,500

There were 1,316,000 unvested awards outstanding at 30th June, 2014. As per our joint announcement on 29th July, 2014, all the awards, which have been tendered for acceptance under the option offer, will be cancelled.

(b) Reserves

The Group's unappropriated profits as at 30th June, 2014 included a regulatory reserve of HK$1,711,037,000 (31st December, 2013: HK$1,616,794,000). The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Group will or may incur on advances to customers in addition to impairment losses recognised. Movements in the reserve are earmarked directly through unappropriated profits and in consultation with the Hong Kong Monetary Authority ("HKMA").

Prior to 3rd March, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3rd March, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital. The use of share capital as from 3rd March, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

26. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Contingent liabilities and commitments to extend credit

Contingent liabilities and commitments arises from forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales or other transactions with recourse, as well as credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved in these credit-related instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contractual amounts is not representative of future cash flows.

The risk weights used in the computation of credit risk weighted amounts range from 0% to 100%.

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

	30th June, 2014	31st December, 2013
Direct credit substitutes	**1,409,599**	1,416,458
Transaction-related contingencies	**117,273**	149,469
Trade-related contingencies	**737,632**	623,006
Other commitments:		
With an original maturity of not more than one year	**799,919**	1,020,894
With an original maturity over one year	**1,707,370**	2,038,352
Which are unconditionally cancellable	**34,037,218**	32,740,820
	38,809,011	37,988,999
Credit risk weighted amounts	**2,311,093**	2,532,462

(b) Capital commitments

Capital commitments for acquisition of tangible fixed assets outstanding at balance sheet date not provided for in the interim financial report are as follows:

	30th June, 2014	31st December, 2013
Expenditure authorised and contracted for	**28,727**	28,312
Expenditure authorised but not contracted for	**–**	–
	28,727	28,312

27. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

Derivative financial instruments arise from forward, swap and option transactions undertaken by the Group and the Bank in the foreign exchange, interest rate and equity markets.

Derivative financial instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter ("OTC") derivatives. The Group also participates in exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to hedge these and other trading positions. For accounting purposes, derivatives are classified as held for trading.

The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

The following table is a summary of the notional amounts of each significant type of derivatives.

		30th June, 2014	
	Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total
Exchange rate contracts			
Forwards	–	**40,069,762**	**40,069,762**
Options purchased	–	**13,841,021**	**13,841,021**
Options written	–	**13,854,702**	**13,854,702**
Interest rate contracts			
Swaps	**8,665,283**	**17,538,266**	**26,203,549**
Equity contracts			
Options purchased	–	**595,920**	**595,920**
Options written	–	**593,348**	**593,348**
	8,665,283	**86,493,019**	**95,158,302**

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

	31st December, 2013		
	Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total
Exchange rate contracts			
Forwards	–	36,303,707	36,303,707
Options purchased	–	10,862,286	10,862,286
Options written	–	10,605,525	10,605,525
Interest rate contracts			
Swaps	9,047,086	14,535,695	23,582,781
Equity contracts			
Options purchased	–	900,539	900,539
Options written	–	890,346	890,346
	9,047,086	74,098,098	83,145,184

The trading transactions include the Group's positions arising from the execution of trade orders from customers or transactions undertaken to hedge these positions.

The fair values of derivative financial instruments are as follows:

	30th June, 2014		31st December, 2013	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	**197,184**	**189,154**	283,873	261,536
Interest rate contracts	**523,092**	**391,170**	657,596	485,709
Equity contracts	**22,264**	**22,218**	26,040	25,865
	742,540	**602,542**	967,509	773,110

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The credit risk weighted amounts are as follows:

	30th June, 2014	31st December, 2013
Exchange rate contracts	**718,568**	700,059
Interest rate contracts	**269,569**	321,086
Equity contracts	**62,489**	93,932
	1,050,626	1,115,077

The risk weights used in the computation of credit risk weighted average amounts range from 0% to 100%. These amounts do not take into account the effects of bilateral netting arrangements.

28. NOTES TO THE UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Operating profit	**1,026,361**	984,183
Depreciation (note 4(f))	**101,663**	109,591
EIP – fair value of awards (note 4(f))	**4,566**	5,816
Interest expense for subordinated liabilities (note 4(b))	**93,082**	177,116
Change in fair value of subordinated liabilities designated at fair value through profit or loss	**106,847**	(54,229)
Profits tax paid	**(108,595)**	(79,716)
Change in treasury bills with original maturity of three months or above	**3,695,514**	1,149,220
Change in placements with banks, central banks and other financial institutions with original maturity of three months or above	**1,385,672**	7,347,174
Change in certificates of deposit held	**(197,628)**	(456,208)
Change in trading assets	**359,454**	35,419
Change in financial assets designated at fair value through profit or loss	**1,081,272**	924,000
Change in advances to customers and other accounts	**(6,356,251)**	(9,794,351)
Change in deposits and balances of banks, central banks and other financial institutions	**(133,247)**	183,786
Change in deposits from customers	**8,191,646**	1,679,786
Change in certificates of deposit issued	**903,294**	260,298
Change in trading liabilities	**(170,568)**	163,014
Change in other accounts and provision	**342,217**	(93,661)
Net cash inflow from operating activities	**10,325,299**	2,541,238

28. NOTES TO THE UNAUDITED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Reconciliation of cash and cash equivalents with the consolidated balance sheet

	30th June, 2014	30th June, 2013
Cash and balances with banks, central banks and other financial institutions	**8,029,509**	6,621,832
Placements with banks, central banks and other financial institutions	**24,635,876**	15,471,710
Treasury bills	**11,806,226**	14,551,749
Amounts shown in the unaudited consolidated balance sheet	**44,471,611**	36,645,291
Less: Amounts with an original maturity of three months or above	**(14,593,960)**	(15,040,528)
Deposits and balances of banks, central banks and other financial institutions that are repayable on demand	**(24,189)**	(819,721)
Cash and cash equivalents in the unaudited consolidated cash flow statement	**29,853,462**	20,785,042

29. MATERIAL RELATED PARTY TRANSACTIONS

(a) Substantial shareholder

During the six months ended 30th June, 2014, transactions with The Bank of New York Mellon Corporation ("BNY"), a substantial shareholder of the Bank, or its subsidiaries are entered into by the Group in the ordinary course of business and on normal commercial terms. The income and expenses for the period, average on-balance sheet outstanding for the period, on-balance sheet and off-balance sheet outstanding at the balance sheet date are:

(i) Income and expense

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Interest income	**35**	1,020
Interest expense	**244**	629

(ii) Average on-balance sheet outstanding

	Six months ended 30th June, 2014	Year ended 31st December, 2013
Cash and balances with banks, central banks and other financial institutions	**166,926**	243,522
Placement with banks, central banks and other financial institutions	**53,095**	67,444
Deposits and balances of banks, central banks and other financial institutions	**75,943**	146,902

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Substantial shareholder (Continued)

(iii) On-balance sheet outstanding at the balance sheet date

	30th June, 2014	31st December, 2013
Cash and balances with banks, central banks and other financial institutions	**56,557**	134,733
Deposits and balances of banks, central banks and other financial institutions	**5,301**	241,345

(iv) Off-balance sheet outstanding (contract amounts) at the balance sheet date

	30th June, 2014	31st December, 2013
Other commitments	**32,000**	32,000

(v) Derivative financial instruments outstanding (notional amounts) at the balance sheet date

	30th June, 2014	31st December, 2013
Exchange rate contracts	**2,873,965**	2,738,785
Interest rate contracts	**3,177,787**	3,179,058

(b) Associated company

The Group provided a secured loan to an associated company for HK$47,640,000 in 2007 to finance their purchase of the Group's bank premises during the year 2007. The loan bears interest rate at 0.55% per annum over HIBOR and are repayable by 2012 with an option to extend the repayment period to 2017. At 14th September, 2012, the loan was extended to 28th September, 2017 with the interest rate at 2.60%. At the balance sheet date, the outstanding amount of the loan is HK$22,987,000 (31st December, 2013: HK$22,987,000).

(c) Key management personnel

During the six months ended 30th June, 2014, the Group entered into a number of transactions with the Group's key management personnel and their close family members and companies controlled or significantly influenced by them. All the transactions are in the ordinary course of business and under terms and conditions normally applicable to customers of comparable standing. The income, expenses and emoluments for the period, average on-balance sheet outstanding for the period and on-balance sheet outstanding at the balance sheet date are as follows:

(i) Income and expense

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Interest income	**549**	514
Interest expense	**14,449**	11,932

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel (Continued)

(ii) Average on-balance sheet outstanding

	Six months ended 30th June, 2014	Year ended 31st December, 2013
Advances to customers	**80,395**	81,515
Deposits from customers	**1,811,741**	1,866,686

(iii) On-balance sheet outstanding at the balance sheet date

	30th June, 2014	31st December, 2013
Advances to customers	**80,170**	71,912
Deposits from customers	**1,814,056**	1,786,270

(iv) Emoluments

Remuneration for key management personnel is as follows:

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Short-term employee benefits	**40,109**	32,516
Post-employment benefits	**1,679**	1,612
Equity compensation benefits	**2,649**	3,355
	44,437	37,483

(d) During the six months ended 30th June, 2014, no allowance for impairment losses has been made in respect of the above advances to related parties (30th June, 2013: Nil).

30. MANAGEMENT OF RISKS

The Group has established policies, procedures and limits to manage various types of risk that the Group is exposed to. Risk management processes and management information systems are in place to identify, measure, monitor and control credit risk, liquidity risk, market risk and operational risk. The risk management policies, procedures and limits are approved by the Board of Directors or its designated committee, and are monitored and reviewed regularly by relevant risk management committees, such as the Credit Committee and the Asset and Liability Management Committee ("ALMCO"). Internal auditors perform regular audits and independent checking to ensure compliance with the policies and procedures.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

30. MANAGEMENT OF RISKS *(Continued)*

(a) Credit risk management

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises from the lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Board of Directors has delegated the Group's credit risk management to the Credit Committee, which is chaired by the Bank's Chairman and Chief Executive.

The credit risk management function is independent of the business units. It oversees the implementation of credit policies and ensures the quality of credit evaluation and approval. Credit approval is conducted in accordance with the Group's credit policy, which defines the credit extension criteria, the credit approval and monitoring processes, the loan classification system and impairment policy. The credit policy also takes into account the requirements of the Hong Kong Banking Ordinance, guidelines issued by the HKMA and accounting standards issued by the HKICPA with respect to large exposures and impairment requirements.

Guidelines to manage credit risk have been laid down in the Group's Loaning Manual, which is regularly reviewed and approved by the Credit Committee. The Loaning Manual covers the delegated lending authorities, credit extension criteria, credit monitoring process, loan classification system, credit recovery and impairment policy.

(i) Corporate credit risk

The corporate credit exposures are diversified among corporates, middle market borrowers and SMEs. The large corporate exposures are generally concentrated among highly rated customers. The principal means of managing credit risk is the credit approval process. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate clients, the Group has a detailed credit review system that is applied to each counterparty on a regular basis. The Group also has limits for exposure to individual industries and for borrowers and groups of borrowers, regardless of whether the exposure is in the form of loans or non-funded exposures. The Group also has a review process that ensures the proper level of review and approval depending on the size of the facility and risk grading of the credit.

The Group undertakes ongoing credit review and monitoring at various levels. The credit policies promote early detection of counterparty, industry or product exposures that require special attention. The Credit Committee oversees the overall portfolio risk as well as individual problem loans and potential problem loans on a regular basis.

(ii) Retail credit risk

The Group's retail credit policy and approval processes are designed based on the characteristics of the retail banking products: small value but high volume, and relatively homogeneous transactions. Monitoring the credit risk of retail exposures is based primarily on statistical analysis and portfolio review with respect to different products and types of customers. The Group reviews and revises the product terms and customer profiles on a continual basis according to the performance of respective portfolios and the market practices.

30. MANAGEMENT OF RISKS *(Continued)*

(a) Credit risk management (Continued)

(iii) Credit risk for treasury transactions

The credit risk of the Group's treasury transactions is managed in the same way as the Group manages its corporate lending risk. The Group applies a risk grading to its counterparties and sets individual counterparty limits.

(iv) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans.

(v) Master netting arrangements

To mitigate credit risks, the Group enters into master netting arrangements with counterparties whenever possible. Netting agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all amounts outstanding will be settled on a net basis.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

	30th June, 2014					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Placements with banks	**2,450,957**	**–**	**2,450,957**	**(2,450,957)**	**–**	**–**
Positive fair values of derivative financial instruments held for trading	**729,294**	**–**	**729,294**	**(227,492)**	**(7,053)**	**494,749**
Interest receivable	**90,223**	**(90,223)**	**–**	**–**	**–**	**–**
	3,270,474	**(90,223)**	**3,180,251**	**(2,678,449)**	**(7,053)**	**494,749**

30. MANAGEMENT OF RISKS *(Continued)*

(a) *Credit risk management (Continued)*

(v) Master netting arrangements *(Continued)*

	30th June, 2014					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral pledged	Net amount
Financial liabilities						
Deposits from banks	**132,555**	**–**	**132,555**	**(132,555)**	**–**	**–**
Deposits from customers	**860,542**	**–**	**860,542**	**(860,542)**	**–**	**–**
Negative fair values of derivative financial instruments held for trading	**588,968**	**–**	**588,968**	**(227,492)**	**(185,713)**	**175,763**
Interest payable	**156,434**	**(90,223)**	**66,211**	**–**	**–**	**66,211**
	1,738,499	**(90,223)**	**1,648,276**	**(1,220,589)**	**(185,713)**	**241,974**

	31st December, 2013					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
Financial assets						
Placements with banks	1,387,899	–	1,387,899	(1,387,899)	–	–
Positive fair values of derivative financial instruments held for trading	743,237	–	743,237	(339,445)	(18,066)	385,726
Interest receivable	71,760	(71,760)	–	–	–	–
	2,202,896	(71,760)	2,131,136	(1,727,344)	(18,066)	385,726

30. MANAGEMENT OF RISKS *(Continued)*

(a) Credit risk management (Continued)

(v) Master netting arrangements *(Continued)*

	31st December, 2013					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral pledged	Net amount
Financial liabilities						
Deposits from banks	211,293	–	211,293	(211,293)	–	–
Deposits from customers	715,888	–	715,888	(715,888)	–	–
Negative fair values of derivative financial instruments held for trading	647,931	–	647,931	(339,445)	(167,111)	141,375
Interest payable	185,662	(71,760)	113,902	–	–	113,902
	1,760,774	(71,760)	1,689,014	(1,266,626)	(167,111)	255,277

(vi) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio is diversified along geographic, industry and product sectors in accordance with the established limits approved by the relevant risk committees.

Analysis of credit risk concentration by economic sector of respective financial assets is disclosed in notes 11 to 15.

(b) Liquidity risk management

Liquidity risk is the risk of inability to fund an increase in assets or meet obligations as they fall due. An institution's obligations, and the funding sources used to meet them, depend significantly on its business mix, balance sheet structure, and the cash flow profiles of its on- and off-balance sheet obligation. The Group's primary objective of liquidity risk management is to manage the liquidity risk exposures under both normal and stressed conditions. The Group has established liquidity management policies for ensuring adequate liquidity is maintained at all times. The Group maintained an average liquidity ratio of 37.5% for the six months ended 30th June, 2014 (30th June, 2013: 39.4%), which is well above the statutory requirement of 25%.

Roles and responsibilities in the group's liquidity risk management structure are mainly distributed across different committees and hierarchical levels: Board of Directors, Executive Committee, ALMCO, Investment Strategy Committee, Treasury Division, Financial Management Division, Risk Management Division and Retail Banking Division.

30. MANAGEMENT OF RISKS *(Continued)*

(b) Liquidity risk management *(Continued)*

Liquidity is managed day-to-day by the Treasurer under the direction of ALMCO. ALMCO, which comprises personnel from senior management, treasury function, risk management, financial management and other business areas that could affect liquidity risk, is responsible for overseeing the liquidity risk management, in particular implementation of appropriate liquidity policies and procedures, identifying, measuring and monitoring liquidity risk, and control over the liquidity risk management process. The Board of Directors approves the liquidity risk strategy and policies, maintaining continued awareness of the overall liquidity risk profile, and ensuring liquidity risk is adequately managed and controlled by senior management within the established risk management framework.

Customer deposits form an important part of funding source of the group. The Retail Banking Division is responsible for maintaining customer deposits as well as advising the funding need of loans to the Treasury Division. The head of Retail Banking Division updates information to the ALMCO members on any material customers' deposits balance movement and strategy to tap deposits.

To cater for funding requirements during ordinary course of business, sufficient liquid assets are held and also access to the interbank market is maintained. In addition, adequate standby facilities are maintained in order to meet any unexpected and material cash outflow. The Group also performs regular stress tests which include an institution-specific crisis scenario, a general market wide crisis scenario and a combined scenario, on its liquidity position to ensure adequate liquidity is maintained at all times.

The detail of the analysis on the Group's material assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date are set out in the note 24.

Treasury Division acts in accordance with the Liquidity Portfolio Framework and Debt Securities Investment Framework to address the issue of liquidity cushion. The objectives of the Liquidity Portfolio Framework are to ensure that the Group can meet its obligations when they fall due in normal circumstances and an adequate stock of high quality liquid assets in the portfolio could provide a safety cushion in the event of a funding crisis.

Due to the close proximity of three operating regions Hong Kong China and Macau, the Group adopts a centralised approach to manage liquidity and funding for both domestic and overseas subsidiaries. At the next granular level, such as branches and sub-branches, the overseas subsidiaries take responsibility for managing their funding arrangement in relation to the use and application of funds. Financial Management Division provides a consolidated picture to the Group's management.

The identification of liquidity risk depends first and foremost on its ability to accurately measure net funding requirements along different time horizons of its cash-flow projections. Setting up liquidity risk tolerance, including the quality and mixture of liquid asset holdings, maturity or currency mismatches and concentration of funding as well as stress testing is the next step to facilitate liquidity risk control in the liquidity management structure.

In commensurate with the Group's business size, structure and complexity, the Group sets up target for the critical liquidity risk indicators for monitoring and controlling the liquidity risk exposures.

The Group adopts a range of liquidity metrics to manage its liquidity position, namely liquidity ratio, medium term funding ratio, maturity mismatch target, loan to deposit ratio and etc. Those liquidity indicators are subject to the ALMCO's review on a regular basis against the target.

30. MANAGEMENT OF RISKS *(Continued)*

(b) Liquidity risk management (Continued)

The maintenance of liquidity ratio can serve the purpose to address the short term liquidity stability. Medium term funding ratio gives a clear picture on the Group's medium term funding. A medium funding ratio is a percentage of liabilities plus shareholders' equity to total assets excluding land and building and investments in associates or subsidiaries, both with a contractual maturity of more than one year.

The Group bases on the projection of future cash flows under normal and stressed conditions over different time horizons to identify potential funding mismatches and compared against the liquidity metrics. Moreover, the risk is further analysed by currencies and entities for senior management's review.

Stress tests for liquidity risk management are designed to assess the group's ability to generate sufficient liquidity from both sides of assets and liabilities to meet funding needs under adverse conditions. The scenarios cover crisis under institution specific, general market wide and combined basis. Assumptions are subject to regular review by the ALMCO to ensure the effectiveness of stress testing process. Stress tests are performed regularly at individual major entity level. The impact is further analysed on consolidated group wide level.

The Group has formulated a contingency plan setting out strategies for dealing with a liquidity crisis and the procedures for making up cash-flow deficits in emergency situations. The plan is updated and reviewed at least annually by ALMCO to ensure that it remains robust over time. Any revision will be further approved by the Board of Directors. Apart from the liquidity limits and ratios agreed with the HKMA, the Group will promptly inform the HKMA of any indicators of serious liquidity problems, which may trigger contingency funding plan.

(c) Market risk management

Market risk is the risk arising from the movements in market prices of on- and off-balance sheet positions in interest rates, foreign exchange rates as well as equity and commodity prices and the resulting change in the profit/loss or reserve of the Group.

The Group is exposed to market risk on position taken or financial instrument held or taken such as foreign exchange contracts, interest rate contracts, fixed income and equity securities and derivative instruments.

The Board of Directors reviews and approves the policies for the management of market risks and trading authorities. ALMCO has been delegated the responsibility of controlling and monitoring market risk including regular review of the risk exposures and the risk management framework such as the established limits and stop-losses. The limits are set by ALMCO and reviewed on a periodic basis with reference to market conditions, with any material changes requiring a review by the Board of Directors. It is the Bank's policy that no limit should be exceeded. Middle Office has been delegated the duties of intra-day monitoring and ensuring compliance with the policy and limits.

The Group adopts a prudent approach in managing the portfolio of trading instruments. It reduces excessive market risk by offsetting trading transactions or hedging the open positions by executing derivative contracts with other market counterparties. Trading of interest rate and foreign exchange derivative contracts forms an integral part of the Group's trading activities, which are primarily for squaring the trading positions or covering the customer driven positions.

The Group uses Price Value of a Basis Point ("PVBP") measurement to monitor and limit its interest rate risk exposure. PVBP is a technique involving the calculation of the change in present value of a financial instrument or a portfolio of instruments due to a change of one basis point of interest rates. It also provides a quick tool to evaluate the impact on profit and loss due to a basis point movement in interest rates.

30. MANAGEMENT OF RISKS *(Continued)*

(c) Market risk management (Continued)

(i) Interest rate risk

The Group's interest rate exposures arise from lending, deposit taking as well as treasury activities. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments, which may apply to both banking book and trading book. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities. The Group's interest rate risk is monitored by the ALMCO within limits approved by the Board, including interest rate gap limit, product limit and PVBP limit. The Group also uses interest rate swaps and other derivatives to manage interest rate risk.

Structural interest rate risk arises primarily from the deployment of non-interest bearing liabilities, including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities. Structural interest rate risk is monitored by ALMCO.

(ii) Currency risk

The Group's foreign exchange positions, which arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures arising from capital investment in subsidiaries and branches outside Hong Kong, mainly in US dollar, Macau Patacas and Renminbi, are managed by ALMCO. All foreign exchange positions are managed by the ALMCO within limits approved by the Board of Directors.

The net positions or net structural positions in foreign currencies are disclosed below where each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

The net option position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts. The net structural position includes the Bank's overseas branch, banking subsidiaries and other subsidiaries substantially involved in foreign exchange trading and include structural assets or liabilities as follow:

- investments in overseas subsidiaries and related companies; and
- subordinated liabilities.

	30th June, 2014			31st December, 2013		
(In millions of HK$ equivalent)	US$	Chinese Renminbi	Total	US$	Chinese Renminbi	Total
Spot assets	**41,279**	**43,255**	**100,281**	42,464	40,892	94,976
Spot liabilities	**(29,880)**	**(44,094)**	**(92,299)**	(31,327)	(42,184)	(92,252)
Forward purchases	**14,466**	**8,221**	**27,232**	12,217	8,154	28,904
Forward sales	**(26,609)**	**(4,048)**	**(32,622)**	(24,472)	(4,085)	(29,971)
Net option positions	**1,281**	**(2,855)**	**(1,571)**	1,341	(2,495)	(1,152)
Net long positions	**537**	**479**	**1,021**	223	282	505

30. MANAGEMENT OF RISKS *(Continued)*

(c) Market risk management (Continued)

(ii) Currency risk *(Continued)*

	30th June, 2014				31st December, 2013			
(In millions of HK$ equivalent)	Macau Patacas	Chinese Renminbi	US$	Total	Macau Patacas	Chinese Renminbi	US$	Total
Net structural positions	**1,006**	**2,490**	**691**	**4,187**	831	2,412	691	3,934

(iii) Equity risk

The Group's equities exposures in the six months ended 30th June, 2014 and the year ended 31st December, 2013 are mainly in long-term equity investments which are reported as "Available-for-sale financial assets" set out in note 15. Equities held for trading purpose are included under "Trading assets" set out in note 11. These are subject to trading limits and risk management control procedures and other market risk regime.

(d) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group's risk management framework is established to control risks at both corporate and departmental levels. The underlying management principle is built upon a long-standing culture of high integrity and risk awareness fostered by senior executives of the Group.

The framework consists of governing policies with control measures to ascertain absolute compliance by all operating units. These measures are directed, controlled and held to account by operational management committees chaired by senior executives. Regular reviews are performed by the committees to ensure proper functioning of internal controls and to identify improvement opportunities.

Furthermore, independent reviews are conducted by the Group's Internal Audit Division to measure the effectiveness of the Group's system of internal controls. This division reports to the Audit Committee to ensure the framework is managed with high standards of probity.

(e) Capital management

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to meet the statutory capital ratio. In addition to meeting the requirements from the HKMA, the Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might otherwise be possible with greater gearing and advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The amount of minimum capital requirements held for credit, market and operational risks are calculated in accordance with the Basel II requirements and the regulations from the HKMA.

30. MANAGEMENT OF RISKS *(Continued)*

(e) Capital management (Continued)

Capital is allocated to the various activities of the Bank depending on the risk taken by each business division. Where the subsidiaries are directly regulated by oversea regulators, they are required to maintain minimum capital according to those regulators' rules. The Bank and certain financial subsidiaries, as specified by the HKMA, are subject to the HKMA's capital requirements for its regulatory supervision purposes. The Group and its individually regulated subsidiaries have complied with all externally imposed capital requirements throughout the six months ended 30th June, 2014 and the year ended 31st December, 2013 and are well above the minimum required ratio set by the HKMA.

The capital ratios as at 30th June, 2014 are computed on a consolidated basis including the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules.

(f) Transfers of financial assets

As of 30th June, 2014, the Group entered into repurchase agreements with certain banks and customers to sell debt securities of carrying amount of HK$1,045,536,000 (31st December, 2013: HK$982,212,000) which subject to the simultaneous agreements ("repurchase agreements") to repurchase these securities at the agreed dates and prices.

The carrying amounts of debt securities sold under repurchase agreements by nature are as follows:

	30th June, 2014	31st December, 2013
Held-to-maturities investments	**316,494**	241,180
Available-for-sale financial assets	**326,619**	225,829
Financial assets designated at fair value through profit or loss	**402,423**	507,906
Trading assets	**–**	7,297
	1,045,536	982,212

The consideration received under these repurchase agreements for the Group totaling HK$985,379,000 (31st December, 2013: HK$927,181,000) was reported as "Deposits and balances of banks, central banks and other financial institutions" and "Deposits from customers" at 30th June, 2014 and 31st December, 2013. The details are as follows:

	30th June, 2014	31st December, 2013
Deposits and balances of banks, central banks and other financial institutions	**124,837**	211,293
Deposits from customers	**860,542**	715,888
	985,379	927,181

As stipulated in the repurchase agreements, there was no transfer of the legal ownership of these securities to the counterparties during the covered period. However, the Group and the Bank were not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, these securities were not derecognised from the financial statements but regarded as "collateral" for the secured lending from these counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

As at 30th June, 2014 and 31st December, 2013, there were no outstanding transferred financial assets in which the Group has a continuing involvement that was derecognised in their entirety.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) *Financial instruments carried at fair value*

Financial instruments measured at fair value on an ongoing basis include trading assets and liabilities, financial instruments designated at fair value, and financial instruments classified as available-for-sale.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments that are not traded in the active markets, the Group determines fair values using valuation techniques. Valuation techniques include net present value of expected future cash flows and discounted cash flow models based on "no-arbitrage" principles, standard option pricing models across the industry for vanilla derivative products. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The majority of valuation techniques employ only observable market data. Hence, the reliability of the fair values measurement is high. However, certain financial instruments are valued on the basis of one or more significant market inputs that are not observable. The fair value derived is more judgemental. "Not observable" does not mean there is absolutely no market data available but there is little or no current market data available from which to determine the level at which an arm's length transaction would likely occur. Examples of observable inputs include foreign exchange spot and forward rates, benchmark interest rate curves and volatility surfaces for commonly traded option products. Examples of unobservable inputs include volatility surfaces for less commonly traded option products and correlations between market factors.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the valuation uncertainty associated with determination of fair values. The availability varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses the broker pricing service, which adopts proprietary valuation models, as inputs to a fair value measurement. These models usually are developed from recognised valuation models across the industry with some or all of the inputs into these models being unobservable in the market.

Fair values are subject to a control framework that aims to ensure that they are either determined, or validated, by a function independent of the risk-taker. To this end, ultimate responsibility for the determination of fair values lies with Middle Office. Middle Office establishes procedures governing valuation, and is responsible for ensuring that these comply with all relevant accounting standards.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments carried at fair value* *(Continued)*

The table below analyses financial instruments measured at fair value at the balance sheet date according to the level in the fair value hierarchy into which they are categorised:

	30th June, 2014			
Recurring fair value measurement	Level 1	Level 2	Level 3	Total
Assets				
Trading assets				
– Treasury bills	**1,092,801**	**–**	**–**	**1,092,801**
– Other debt securities	**74,136**	**161,539**	**–**	**235,675**
– Equity securities	**1,781**	**–**	**–**	**1,781**
– Positive fair values of derivative financial instruments held for trading	**–**	**742,540**	**–**	**742,540**
	1,168,718	**904,079**	**–**	**2,072,797**
Financial assets designated at fair value through profit or loss				
– Treasury bills	**68,591**	**–**	**–**	**68,591**
– Other debt securities	**6,574,729**	**497,906**	**–**	**7,072,635**
	6,643,320	**497,906**	**–**	**7,141,226**
Available-for-sale financial assets				
– Treasury bills	**8,353,369**	**1,875,724**	**–**	**10,229,093**
– Certificates of deposit held	**207,279**	**831,265**	**–**	**1,038,544**
– Other debt securities	**9,911,395**	**955,024**	**–**	**10,866,419**
– Equity securities	**96,440**	**25,587**	**17,068**	**139,095**
	18,568,483	**3,687,600**	**17,068**	**22,273,151**
	26,380,521	**5,089,585**	**17,068**	**31,487,174**
Liabilities				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	**–**	**602,542**	**–**	**602,542**
Subordinated liabilities				
– Subordinated liabilities designated at fair value through profit or loss	**–**	**3,274,748**	**–**	**3,274,748**
	–	**3,877,290**	**–**	**3,877,290**

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments carried at fair value (Continued)

	31st December, 2013			
Recurring fair value measurement	Level 1	Level 2	Level 3	Total
Assets				
Trading assets				
– Treasury bills	1,075,813	25,481	–	1,101,294
– Other debt securities	170,823	193,479	–	364,302
– Equity securities	7,639	–	–	7,639
– Positive fair values of derivative financial instruments held for trading	–	967,509	–	967,509
	1,254,275	1,186,469	–	2,440,744
Financial assets designated at fair value through profit or loss				
– Treasury bills	67,069	64	–	67,133
– Other debt securities	7,142,135	1,011,772	–	8,153,907
	7,209,204	1,011,836	–	8,221,040
Available-for-sale financial assets				
– Treasury bills	9,579,856	2,655,192	–	12,235,048
– Certificates of deposit held	34,511	834,021	–	868,532
– Other debt securities	9,320,405	1,523,391	–	10,843,796
– Equity securities	101,196	29,010	17,068	147,274
	19,035,968	5,041,614	17,068	24,094,650
	27,499,447	7,239,919	17,068	34,756,434
Liabilities				
Trading liabilities				
– Negative fair values of derivative financial instruments held for trading	–	773,110	–	773,110
Subordinated liabilities				
– Subordinated liabilities designated at fair value through profit or loss	–	3,169,279	–	3,169,279
	–	3,942,389	–	3,942,389

During the six months ended 30th June, 2014, there were no material transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31st December, 2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments carried at fair value (Continued)

(i) Valuation of financial instruments with significant unobservable inputs

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	Six months ended 30th June, 2014		
	Financial assets designated at fair value through profit or loss – Debt securities	Available-for-sale financial assets – Equity securities	Total
Assets			
At 1st January	–	**17,068**	**17,068**
Sales	–	–	–
Settlements	–	–	–
Net realised gains recognised in the income statement	–	–	–
Changes in fair value recognised in the income statement:			
– Net gains from financial instruments designated at fair value through profit or loss	–	–	–
Changes in fair value recognised in the other comprehensive income	–	–	–
At 30th June	–	**17,068**	**17,068**
Total gains or losses for the period included in investment revaluation reserve of the other comprehensive income for assets held at the balance sheet date	–	–	–
Total gains or losses for the period included in the income statement for assets held at the balance sheet date			
– Net gains from financial instruments designated at fair value through profit or loss	–	–	–

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) *Financial instruments carried at fair value* *(Continued)*

(i) Valuation of financial instruments with significant unobservable inputs *(Continued)*

	Year ended 31st December, 2013		
	Financial assets designated at fair value through profit or loss – Debt securities	Available-for-sale financial assets – Equity securities	Total
Assets			
At 1st January	93,551	95,973	189,524
Sales	–	(190,928)	(190,928)
Settlements	(93,551)	–	(93,551)
Net realised gains recognised in the income statement	–	124,468	124,468
Changes in fair value recognised in the income statement:			
– Net gains from financial instruments designated at fair value through profit or loss	–	–	–
Changes in fair value recognised in the other comprehensive income	–	(12,445)	(12,445)
At 31st December	–	17,068	17,068
Total gains or losses for the year included in investment revaluation reserve of the other comprehensive income for assets held at the balance sheet date	–	–	–
Total gains or losses for the year included in the income statement for assets held at the balance sheet date			
– Net gains from financial instruments designated at fair value through profit or loss	–	–	–

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Financial instruments carried at fair value (Continued)

(ii) Effect of changes in significant non-observable assumptions to reasonably possible alternatives

The fair value of financial instruments are, in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair values in Level 3 due to parallel movement of plus or minus 10 percent of change in fair value to reasonably possible alternative assumptions.

	Six months ended 30th June, 2014			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Available-for-sale financial assets				
– Equity securities	**–**	**–**	**1,707**	**(1,707)**
	–	**–**	**1,707**	**(1,707)**

	Year ended 31st December, 2013			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Available-for-sale financial assets				
– Equity securities	–	–	1,707	(1,707)
	–	–	1,707	(1,707)

(b) Fair values of financial instruments carried at other than fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 30th June, 2014 and 31st December, 2013 except as follows:

	30th June, 2014				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	**4,228,178**	**4,264,504**	**3,094,138**	**1,170,366**	**–**
Financial liabilities					
Certificates of deposit issued at amortised cost	**5,089,517**	**5,075,401**	**–**	**5,075,401**	**–**

31. FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Fair values of financial instruments carried at other than fair value (Continued)

	31st December, 2013				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets					
Held-to-maturity investments	4,391,766	4,380,002	3,469,396	910,606	–
Financial liabilities					
Certificates of deposit issued at amortised cost	4,186,223	4,208,438	–	4,208,438	–

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented in above.

(i) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date.

(ii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.

(iii) the fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.

(iv) the fair value of unquoted equity investments is estimated, if possible, using applicable price/ earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuers.

32. CHANGE OF CONTROLLING SHAREHOLDERS

As per our joint announcement on 29th July, 2014, Oversea-Chinese Banking Corporation Limited and OCBC Pearl Limited and its connected parties have acquired in an aggregate of 97.52 percent of the issued share capital of the Bank and have become the controlling shareholders of the Bank.

(Expressed in thousands of Hong Kong dollars unless otherwise stated)

(A) CAPITAL AND LIQUIDITY RATIO

(i) Capital ratio

	30th June, 2014	31st December, 2013
Total capital ratio	**15.4%**	15.9%
Tier 1 capital ratio	**11.7%**	12.0%
Common Equity Tier 1 capital ratio	**11.7%**	12.0%

As mentioned in note 30(e) of "Notes to unaudited interim financial report" on the capital management of the Group, the calculation of the regulatory capital and capital charges are in accordance with the Banking (Capital) Rules ("the Capital Rules"). The capital ratios are computed on a consolidated basis including the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules.

In calculating the capital ratio of the Group at 30th June, 2014 and 31st December, 2013, the following subsidiaries are excluded from the regulatory scope of consolidation which are mainly securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance:

		30th June, 2014		31st December, 2013	
Subsidiaries	Principal activities	Total assets	Total equity	Total assets	Total equity
CF Limited	Dormant	**–**	**–**	–	–
Chekiang First Bank (Nominees) Limited	Nominee Services	**10**	**10**	10	10
Chekiang First Bank (Trustees) Limited	Trustee Services	**3,958**	**3,948**	3,954	3,944
Chekiang First Limited	Dormant	**1**	**1**	1	1
Chekiang First Securities Company Limited	Securities Dealing	**6,676**	**6,620**	6,679	6,623
Honfirst Investment Limited	Futures Trading	**16,424**	**16,368**	16,349	16,293
Technico Limited	Dormant	**700**	**(71)**	700	(71)
Wing Hang Bank (Nominees) Limited	Nominee Services	**10**	**10**	10	10
Wing Hang Bank (Trustee) Limited	Trustee Services	**3,593**	**3,583**	3,573	3,549
Wing Hang Insurance Agency Limited	Insurance Agency	**35,257**	**20,429**	24,101	13,705
Wing Hang Insurance Brokers Limited	Insurance Broker	**22,612**	**10,480**	11,656	6,298
Wing Hang Shares Brokerage Company Limited	Securities Dealing	**439,511**	**238,426**	500,255	228,636

As at 30th June, 2014, there are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but the method of consolidation differs.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.

The detailed disclosure required by the Banking (Disclosure) Rules will be disclosed before 30th September, 2014 under "Regulatory Disclosure" on the website of the Bank (www.whbhk.com).

(A) CAPITAL AND LIQUIDITY RATIO *(Continued)*

(ii) Average liquidity ratio

	Six months ended 30th June, 2014	Six months ended 30th June, 2013
Average liquidity ratio	**37.5%**	39.4%

The average liquidity ratio for the six months includes the liquidity positions of the Bank and certain of its financial subsidiaries, which is the basis of computation agreed with the Hong Kong Monetary Authority ("HKMA"), and has been computed in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

(B) ADVANCES TO CUSTOMERS ANALYSED BY GEOGRAPHICAL AREA

The geographical information is classified by the geographical location of the counterparties after taking into account any risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a geographical location which is different from that of the borrower or if the claims are on an overseas branch of a bank whose head office is located in another geographical location.

	30th June, 2014				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Hong Kong	**103,796,772**	**235,807**	**180,269**	**39,175**	**109,165**
Macau	**18,070,040**	**25,730**	**51,214**	**3,072**	**7,500**
Mainland China	**18,917,025**	**230,911**	**223,412**	**41,274**	**94,069**
Others	**999,470**	**3,474**	**7,019**	**208**	**6,482**
	141,783,307	**495,922**	**461,914**	**83,729**	**217,216**

	31st December, 2013				
	Gross advances to customers	Impaired advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Hong Kong	100,901,918	276,905	244,301	40,811	116,436
Macau	17,213,024	50,650	51,825	1,585	8,935
Mainland China	16,035,068	258,999	257,215	14,469	91,285
Others	1,173,258	8,035	6,596	732	6,946
	135,323,268	594,589	559,937	57,597	223,602

(C) FURTHER ANALYSIS OF ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

The following information concerning the further analysis of advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances in respect of industry sectors which constitute not less than 10% of gross advances to customers.

	30th June, 2014			
	Gross advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Property investment	**19,871,554**	**–**	**–**	**15,345**
Advances for the purchase of other residential properties	**25,972,419**	**23,269**	**35**	**28,374**
Advances for use outside Hong Kong				
– Mainland China	**26,446,830**	**301,822**	**53,194**	**126,237**
– Macau	**19,142,897**	**28,608**	**3,072**	**6,715**

	31st December, 2013			
	Gross advances to customers	Overdue advances to customers for over three months	Individual impairment allowances	Collective impairment allowances
Property investment	20,319,089	762	–	16,825
Advances for the purchase of other residential properties	23,287,360	11,475	34	25,360
Advances for use outside Hong Kong				
– Mainland China	25,900,373	386,508	28,903	127,484
– Macau	18,483,267	51,825	1,585	8,278

(D) OVERDUE AND RESCHEDULED ASSETS

(i) Overdue and rescheduled advances to customers

	30th June, 2014		31st December, 2013	
	Amount	% of total advances to customers	Amount	% of total advances to customers
Gross advances to customers which have been overdue with respect to either principal or interest for periods of:				
– 6 months or less but over 3 months	**62,689**	**0.04**	74,777	0.06
– 1 year or less but over 6 months	**100,143**	**0.07**	38,778	0.03
– Over 1 year	**299,082**	**0.21**	446,382	0.33
	461,914	**0.32**	559,937	0.42
Covered portion of overdue advances	**376,213**		512,160	
Uncovered portion of overdue advances	**85,701**		47,777	
	461,914		559,937	
Current market values of collateral held against covered portion of overdue advances	**1,335,060**		2,053,646	
Individual impairment allowances made on overdue advances	**61,419**		35,350	

Collateral held with respect to overdue advances to customers is mainly properties and vehicles.

	30th June, 2014		31st December, 2013	
	Amount	% of total advances to customers	Amount	% of total advances to customers
Rescheduled advances to customers	**12,258**	**0.01**	9,053	0.01

There were no advances to banks which are overdue nor rescheduled as at 30th June, 2014 and 31st December, 2013.

(D) OVERDUE AND RESCHEDULED ASSETS *(Continued)*

(ii) Other overdue assets

	30th June, 2014	31st December, 2013
Trade bills which have been overdue with respect to either principal or interest for periods of:		
– 6 months or less but over 3 months	**–**	–
– 1 year or less but over 6 months	**–**	–
– Over 1 year	**1,033**	1,274
	1,033	1,274

There are no overdue debt securities included in "Financial assets designated at fair value through profit or loss" and "Available-for-sale financial assets" as at 30th June, 2014 and 31st December, 2013.

Included in "Other assets" as at 30th June, 2014 and 31st December, 2013, there are no receivables which are overdue.

(E) NON-BANK MAINLAND CHINA EXPOSURES

The analysis on non-bank Mainland China exposures includes exposures of the Bank and certain of its subsidiaries on the basis agreed with the HKMA.

	30th June, 2014			
(In millions of HK$ equivalent)	On-balance sheet exposures	Off-balance sheet exposures	Total exposures	Individual impairment allowances
Mainland entities	**27,138**	**7,098**	**34,236**	**32**
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	**7,742**	**369**	**8,111**	**12**
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	**4,425**	**129**	**4,554**	**9**
	39,305	**7,596**	**46,901**	**53**

	31st December, 2013			
(In millions of HK$ equivalent)	On-balance sheet exposures	Off-balance sheet exposures	Total exposures	Individual impairment allowances
Mainland entities	23,176	9,526	32,702	11
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	8,501	365	8,866	14
Other counterparties the exposures to whom are considered by the Group to be non-bank Mainland exposures	3,800	119	3,919	4
	35,477	10,010	45,487	29

(F) CROSS-BORDER CLAIMS

The information concerning cross-border claims has been classified by the geographical location of the counterparties after taking into account any risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a geographical location 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 geographical location.

	30th June, 2014			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	**16**	**–**	**11,699,204**	**11,699,220**
Mainland China	**19,500,482**	**–**	**7,971,482**	**27,471,964**
Australia	**4,786,869**	**–**	**547,878**	**5,334,747**
Other Asia Pacific	**3,605,925**	**192,709**	**2,440,195**	**6,238,829**
United States	**705,029**	**–**	**1,512,664**	**2,217,693**
Other North and South American countries	**1,501,344**	**548,306**	**543,588**	**2,593,238**
Middle East and Africa	**319,989**	**–**	**219,235**	**539,224**
Germany	**55,948**	**–**	**1,817**	**57,765**
United Kingdom	**1,490,452**	**–**	**90,906**	**1,581,358**
Other European countries	**903,216**	**–**	**79,089**	**982,305**
	32,869,270	**741,015**	**25,106,058**	**58,716,343**

	31st December, 2013			
	Banks and other financial institutions	Public sector entities	Others	Total
Macau	185	–	11,819,564	11,819,749
Mainland China	16,411,619	–	5,370,856	21,782,475
Australia	4,563,455	–	504,861	5,068,316
Other Asia Pacific	3,366,033	195,987	2,576,771	6,138,791
United States	511,176	–	1,782,190	2,293,366
Other North and South American countries	952,410	695,866	519,069	2,167,345
Middle East and Africa	323,874	–	301,165	625,039
Germany	79,219	–	1,886	81,105
United Kingdom	1,149,538	–	165,238	1,314,776
Other European countries	199,787	–	80,175	279,962
	27,557,296	891,853	23,121,775	51,570,924

Independent Review Report

To the Board of Directors of Wing Hang Bank, Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 64 which comprises the consolidated balance sheet of Wing Hang Bank, Limited as of 30 June, 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 report as at 30 June, 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong
21st August, 2014

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2014 (2013: HK$0.46 per share).

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ANY ASSOCIATED CORPORATION

As at 30th June, 2014, the interests and short positions of the Directors and Chief Executive of the Bank and their respective associates in the shares, underlying shares and debentures of the Bank or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were as follows:

Interest or short position in Ordinary Shares of the Bank

	Number of shares						Percentage
Name of Director	Personal interest(1)	Family interest	Corporate interest	Option	Award Note(2)	Total	of issued share capital Note(4)
FUNG Yuk Bun Patrick	3,752,000(S)	–	–	–	315,000	4,067,000(3)	1.32
FUNG Yuk Sing Michael	3,425,500(S)	60,000	–	–	157,500	3,643,000(3)	1.18
HO Chi Wai Louis	324,500(S)	103,000	–	–	–	427,500(3)	0.14
LAU Hon Chuen Ambrose	76,931	–	–	–	–	76,931	0.02
Frank John WANG	286,000(S)	–	–	–	189,000	475,000	0.15

Subordinated Note of the Bank

	Amount (US$)				
Name of Director	Personal interest	Family interest	Corporate interest	Others	Total
FUNG Yuk Sing Michael	–	–	3,000,000	–	3,000,000

Notes:

(1) S represents Short Position.

(2) Share awards were granted to the Directors pursuant to the employee incentive plan adopted by the Bank on 22nd April, 2004. Details of the share awards are stated under the section headed "Employee Incentive Plans".

(3) Dr FUNG Yuk Bun Patrick, Mr FUNG Yuk Sing Michael and the spouse of Mr HO Chi Wai Louis, together with other parties, are eligible beneficiaries of the trusts of Po Ding Company Limited, YKF Holding (PTC) Corporation and Tessel Inc. The interests of these corporations in the shares of the Bank are stated under the section headed "Substantial Shareholders' Interests".

(4) The number of issued shares of the Bank as at 30th June, 2014 was 308,380,222 shares.

Save as disclosed above and for certain Directors holding non-beneficial interests in the share capital of some of the subsidiaries of the Bank as nominee shareholders, as at 30th June, 2014, none of the Directors or Chief Executive of the Bank or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Bank or any associated corporation (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2014, the following persons (other than a Director or Chief Executive of the Bank) had interests or short position in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO:

Interests or short position in Ordinary Shares of the Bank

Name	Capacity and nature	Number of shares[1]	Percentage of issued share capital Note[5]
The Bank of New York Mellon Corporation	Interest in controlled corporation/ Approved lending agent	63,815,936(S) 690,189 (Lending pool) Note[2]	20.69 0.22
The Bank of New York Mellon	Interest in controlled corporation/ Approved lending agent	63,815,936(S) 690,189 (Lending pool) Note[2]	20.69 0.22
BNY International Financing Corporation	Beneficial owner	63,815,936(S) Note[2]	20.69
Federal Trust Company Limited	Trustee	36,463,200(S) Notes[3]&[4]	11.82
Aberdeen Asset Management Plc and its subsidiaries	Investment manager	22,772,110	7.38
YKF Holding (PTC) Corporation	Trustee	25,803,900(S) Notes[3]&[4]	8.37
Po Ding Company Limited	Trustee	25,551,500(S) Notes[3]&[4]	8.29
Wing Hang Bank (Nominees) Limited	Nominee	23,378,400 Notes[3]&[4]	7.58
Credit Suisse Group AG	Investment in controlled corporation	19,755,846 765,000(S)	6.41 0.25
Tessel Inc.	Trustee	10,911,700(S) Notes[3]&[4]	3.54

Notes:

(1) S represents Short Position.

(2) BNY International Financing Corporation is a wholly-owned subsidiary of The Bank of New York Mellon. The Bank of New York Mellon is a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

(3) Federal Trust Company Limited is the trustee for Tessel Inc. and Po Ding Company Limited. Wing Hang Bank (Nominees) Limited is the registered holder of certain shares on behalf of YKF Holding (PTC) Corporation.

(4) Each of Po Ding Company Limited, YKF Holding (PTC) Corporation and Tessel Inc. is a trust of which Dr FUNG Yuk Bun Patrick, Mr FUNG Yuk Sing Michael and the spouse of Mr HO Chi Wai Louis, together with other parties, are eligible beneficiaries.

(5) The number of issued shares of the Bank as at 30th June, 2014 was 308,380,222 shares.

Save as disclosed above, as at 30th June, 2014, no other interests or short position in the shares or underlying shares of the Bank were recorded in the register required to be kept by the Bank under section 336 of the SFO.

SHARE OPTION SCHEME

The Bank's share option scheme was adopted on 24th April, 2003 ("Share Option Scheme") and has expired in April 2013 and ceased to have any further effect, except that the options granted thereunder remain valid and exercisable until expiry of their exercise periods.

As at the date of this report, there is no outstanding share option. On 30th June, 2014, the closing price of the shares of the Bank on the Stock Exchange was HK$125.00. Details of the movements of options granted under the Share Option Scheme during the six months ended 30th June, 2014 as required under the Listing Rules are disclosed as follows:

		Number of options					
	Date of grant	Outstanding as at 01/01/2014	Granted	Exercised	Lapsed/ cancelled	Outstanding as at **30/06/2014**	Exercise price
							HK$
Director							
FUNG Yuk Bun Patrick	21/05/2004	50,000	–	50,000	–	**0**	43.80
	14/01/2005	50,000	–	50,000	–	**0**	51.25
FUNG Yuk Sing Michael	21/05/2004	40,000	–	40,000	–	**0**	43.80
	14/01/2005	40,000	–	40,000	–	**0**	51.25
Frank John WANG	21/05/2004	40,000	–	40,000	–	**0**	43.80
	14/01/2005	40,000	–	40,000	–	**0**	51.25
Employees[(1)]	21/05/2004	110,000	–	110,000	–	**0**	43.80
	14/01/2005	50,000	–	50,000	–	**0**	51.25
	28/01/2005	40,000	–	40,000	–	**0**	50.25
		460,000	–	460,000	–	**0**	

(1) The number of employees involved is 7.

(2) Exercise period of an option commences on the first anniversary of the date of grant of such option and expiring at the close of business on the tenth anniversary of the date of grant of such option.

EMPLOYEE INCENTIVE PLANS

The Bank's employee incentive plan was approved by the independent shareholders at the annual general meeting held on 30th April, 2009 (the "2009 EIP") and has expired in April, 2014. The 2009 EIP was to renew the employee incentive plan approved by the independent shareholders on 22nd April, 2004 and expired in April 2009 (the "2004 EIP").

The principal objectives of the 2009 EIP are to reward Executive Directors and key employees of the Group for their contributions and to incentivise such persons to remain in employment with the Group.

Under the 2009 EIP, the Board may during the first five years after the 2009 EIP was approved grant awards at no consideration for certain Executive Directors and key employees of the Group to acquire ordinary shares in the Bank at a nominal value of HK$1.00 per share. The maximum number of shares that may be issued under the 2009 EIP is 1,000,000 shares, of which no more than 500,000 shares may be issued to Executive Directors. The fair value is measured at the date of grant and is charged to the income statement and credited to shareholders' funds between the date of grant and the vesting date. The cash amount equal to the dividend that will be paid during the period up to vesting is charged to the income statement as bonus expenses on an accrual basis.

The awards granted under the 2004 EIP and 2009 EIP vested in stages between the sixth and the tenth anniversary of the date of grant according to its terms and conditions. Awards granted under the 2004 EIP and 2009 EIP were as follows:

		Number of awards					
	Date of grant	As at 01/01/2014	Granted	Vested	Lapsed/ cancelled	As at **30/06/2014**	Fair value of awards at the date of grant
							HK$
Director							
FUNG Yuk Bun Patrick	21/05/2004[1]	100,000	–	100,000	–	**0**	42.80
	23/01/2006[1]	382,500	–	67,500	–	**315,000**	56.20
FUNG Yuk Sing Michael	21/05/2004[1]	50,000	–	50,000	–	**0**	42.80
	23/01/2006[1]	191,250	–	33,750	–	**157,500**	56.20
HO Chi Wai Louis	21/05/2004[1]	5,000	–	5,000	–	**0**	42.80
Frank John WANG	21/05/2004[1]	62,500	–	62,500	–	**0**	42.80
	23/01/2006[1]	229,500	–	40,500	–	**189,000**	56.20
Employees[3]	21/05/2004[1]	30,000	–	30,000	–	**0**	42.80
	23/01/2006[1]	522,750	–	92,250	–	**430,500**	56.20
	29/01/2007[1]	133,000	–	14,000	–	**119,000**	94.60
	05/11/2009[2]	105,000	–	–	–	**105,000**	74.50
		1,811,500	–	495,500	–	**1,316,000**	

(1) Awards were granted under the 2004 EIP.

(2) Awards were granted under the 2009 EIP.

(3) The number of employees involved is 14.

As at the date of this report, there is no outstanding award.

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

There was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the six months ended 30th June, 2014.

CORPORATE GOVERNANCE

The Bank has applied the principles and complied with the code provisions and certain recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2014 except for the deviation from code provision A.2.1 (the roles of chairman and chief executive officer should be separate). The considered reasons for this deviation have been reported in the Corporate Governance Report contained in the 2013 Annual Report of the Bank published in March 2014. Mr NA Wu Beng has been appointed as the Chief Executive of the Bank with effect from 18th August, 2014 and the Bank has complied with the code provision A.2.1 since 18th August, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), including amendments as effected from time to time, as its own code of conduct to be observed by Directors, Chief Executive and relevant employees who are likely to possess inside information in relation to the Bank. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2014.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

Change in Directors' information since the date of the 2013 Annual Report of the Bank which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Dr FUNG Yuk Bun Patrick

Ceased as independent non-executive director of The Link Management Limited with effect from 1st August, 2014.

Save as disclosed above, there is no change in Directors' information since the date of the 2013 Annual Report of the Bank required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

The interim financial report for the six months ended 30th June, 2014 complies fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

Corporate Social Responsibility Report

As a well-established financial institution with a long history in Hong Kong, we have a strong sense of commitment in fulfilling corporate social responsibility ("CSR") and ensuring that it is part of our everyday operation.

It is in our interest to act upon our goals of CSR. We realise that the more harmonious the place in which we run our business, the greater the chance of success. Therefore, CSR has always been an integral part of the Group's corporate strategy. It is our belief that a responsible business creates a win-win situation for the Group, its shareholders, customers, employees, business partners, and the society at large.

At Wing Hang Bank, corporate social responsibility represents our commitment to promote business activities that bring economic, social and environmental benefits to the society. We attain the targets by actively fulfilling our governance, environmental and community responsibilities.

CSR in Wing Hang Bank

Governance Responsibility

- CSR Management
- Risk Management
- Business Ethics

Environmental Responsibility

- Green Office Campaign
- Continual Support of Environmental Activities
- Eco-Friendly Customers and Suppliers

Community Responsibility

- Equal Opportunity
- Employee Enrichment
- Community Services

GOVERNANCE RESPONSIBILITY

CSR Management

To plan and manage our CSR activities in a systematic and coherent manner, we have a CSR Committee to develop strategies, policies and guidelines on CSR. The Committee also approves, supervises and monitors the implementation of all CSR initiatives. Our monitoring and review system on the CSR framework is on-going so that we continuously improve our CSR strategies.

A CSR Working Team and various support teams working under the direction of the CSR Committee are responsible for the promotion, support and organization of CSR activities.

Risk Management

Corporate governance in the Group includes a risk management framework to manage economic and social risks, to ensure business continuity and to serve the interests of our stakeholders.

Business Ethics

We strongly believe that providing quality services to customers is a key element to maintain good relationship with our customers. This is essential to sustain growth in our business, and is definitely in the interests of our shareholders.

With an ever-changing business environment, the CSR Committee monitors closely the Group's corporate governance practices to ensure all our activities are conducted with professionalism, high ethical standards, integrity and honesty. Compliance, which governs our daily operations, is every colleague's responsibility. We have on-going compliance training to uphold the Group's standard of business practices and services.

ENVIRONMENTAL RESPONSIBILITY

Being environmentally responsible not only protects the environment when we use our natural resources more efficiently, it also helps us build a less polluting environment and improve our quality of life.

Green Office Campaign

As a socially responsible corporation, we actively work towards a green future. "Reduce, Reuse and Recycle" is the theme of the Bank's Green Office Campaign. With a firm belief that every bit of effort helps, all staff are encouraged to protect the environment however insignificant the effort it might seem. Green Office Campaign is now a year-through activity at our Guangzhou office.

Our achievements have been recognized with the CarbonSmart logo granted by the HKPC CarbonSmart Programme. The Bank is also awarded "Class of Excellence Wastewi$e Label" and "Class of Excellence Energywi$e Label" under the Hong Kong Awards for Environmental Excellence organized by Environmental Campaign Committee. All of these are recognition of the Bank's commitment to protect the environment.

Internally, the Group accomplished the following environmental protection initiatives in the first half of 2014, compared to a year ago:

- More than 2% of electricity was saved at some of our offices, including Hong Kong, Macau, Shenzhen and Beijing

- More than 5% of paper consumption was cut at Zhuhai, Shenzhen and Beijing offices

Making every effort to support green groups, the Group took part in the Earth Hour 2014 at various locations of its Hong Kong, Macau and China offices.

Continual Support of Environmental Activities

The Bank has been a participant of the Green Power Hike for A Green Future organized by Green Power in Hong Kong for the last 8 years, with the funding raised used for environmental education in the community. To build a cleaner air environment, colleagues in Shenzhen and Beijing participated in tree planting activities.

Eco-Friendly Customers and Suppliers

It is in the interest of our corporate customers to take up their environmental responsibility in terms of lower operating costs and compliance to official environmental standards. Some of our corporate customers have installed environment protection facilities and adopted environmental friendly practices in their daily operation.

We also constantly educate our customers to make use of our electronic banking services, including e-statement to reduce paper usage in our Hong Kong, Macau and Mainland operation.

Our Bank's major suppliers are environmentally conscious and most of them obtain licences or certifications to guarantee their environmental protection standard. They include our paper suppliers, refrigerant air conditioning system and lighting systems.

The Bank has joined the CarbonSmart Programme since last year and carbon audit has become part of our daily operation to help lower carbon level in Hong Kong. We have been awarded the CarbonSmart logo.

COMMUNITY RESPONSIBILITY

Equal Opportunity

The Group ensures equal opportunity in employment and our workforce includes disabled staff. The Group encourages breaking down barriers and building a harmonious working environment for all staff. The Group will continue to carry out equal opportunity in our workforce.

Employee Enrichment

Our staff is our greatest asset. Nurturing our staff and helping them relieve their stress increase their efficiency and performance at work. We realize that consistently excellent staff performance and strong commitment are important to the Group's success.

We treasure our employees by providing a safe and quality working environment as well as suitable and generous benefits to meet their needs.

Training and Further Studies

We always focus on nurturing our employees to be all rounded performers. Programs for teller trainees, business development trainees and management trainees are held to nurture outstanding talents and enable the Bank to compete in a dynamic business environment. Education allowances are offered to employees to encourage them to further equip themselves to best serve the Bank and the customers. As a considerate employer, examination leave is granted to employees who need to take examinations and be absent from work.

Employee Assistance Program

Our Employee Assistance Program offers a wide range of services including seminars, workshops, 24 hour telephone hotline, face-to-face consultation and counseling services, useful living tips and information circulars. The program aims to provide confidential and professional services to help employees deal with work-related and personal problems.

Support the Hong Kong economy

The Bank has contributed to the Hong Kong economy in many ways. We participate in the SME Loan Guarantee Scheme as well as the SME Financing Guarantee Scheme (SFGS) operated by the Hong Kong Mortgage Corporation Limited. We believe that supporting the SMEs is important to the economic development of Hong Kong.

Community Services

We believe that by devoting resources and efforts in community services, the Group can contribute to the building of a harmonious society.

The Bank has been awarded the 10 Years + "Caring Company" Logo by the Hong Kong Council of Social Services in recognition of our relentless efforts in social responsibility.

In the first half of 2014, we continued to contribute in CSR activities.

Donations and Sponsorships

In the first half of 2014, the Group provided more than HK$708,000 in donations and sponsorships for social initiatives. Wing Hang Bank was the principal sponsor of Oxfam Rice 2014 in Hong Kong, at the same time Banco Weng Hang also volunteered in Oxfam Rice fundraising.

The Bank has also contributed beyond the border to the Mainland community. Our branches in the Mainland supported families and orphanage with financial needs. Books and stationary packs were donated in various charity activities that promote reading to children in the Mainland.

COMMUNITY RESPONSIBILITY *(Continued)*

Community Services *(Continued)*

Volunteer Services

The Group gives more than just money.

In the first half of 2014, 1,207 of our volunteers in Hong Kong, Macau and Mainland China devoted 6,627 community service hours for a number of worthy causes. Our Volunteer Services Team has been awarded the "Gold Award for Volunteer Service" by the Social Welfare Department for 10 consecutive years. With senior management support and encouragement, our employees commit their time, energy and care to various segments of the society, including students, senior citizens, the disabled, low- income group and single parent families.

Encouraging our younger generation to become active volunteers is an area the Bank always places emphasis. For this reason, we initiated the Wing Hang "V-are-One Program" with the Hong Kong Professional Teachers' Union. In 2014, 4,301 students participated in volunteer services projects sponsored by the Bank, which serviced 27,457 volunteer hours, as a result 6,562 people benefited from the programme.

Across the border, our Mainland colleagues volunteered at welfare house and nursing homes

AWARDS

Our fulfillment has qualified for the following recognitions and awards:

- 10 Years + "Caring Company" Logo awarded by the Hong Kong Council of Social Service
- Gold Award of Volunteer Service awarded by the Social Welfare Department
- 10km Bank Cup Champion of the 21st Green Power Hike For A Green Future
- Certificate of Merit awarded by the Environmental Campaign Committee of Financial, Legal and Business Consulting Services
- First Runner-up of "Oxfam Rice Sale 2014" Fundraiser and Second Runner-up of Volunteer (Corporate Sponsor)
- First Runner-up of Fundraising in Po Leung Kuk Flag Day (Corporate)

FUTURE

We are proud of our strong commitments in all CSR aspects. CSR practices in our Group are dynamic and on-going. Looking ahead, we will continue to identify opportunities to enhance our business practices from all CSR perspectives.

To spearhead this initiative, we shall devote additional efforts to develop environmental sustainability policies and process to minimize impact to the environment. The Group will also continue to support various non government organizations and participate in voluntary work projects and fund-raising activities to further support our community. For the rest of 2014, we will continue our commitment to embody CSR in our everyday business activities.

永亨銀行有限公司
WING HANG BANK, LIMITED

Registered Office: 161 Queen's Road Central, Hong Kong