



The Hongkong and Shanghai Banking  
Corporation Limited

## Interim Disclosure Statement

*prepared under the Banking (Disclosure) Rules  
made pursuant to section 60A of the Banking Ordinance*

Supplementary Notes Appendices  
for the six months ended 30 June 2013

# Appendices

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**Appendix 1: Transition Disclosures Template**

The following table sets out the detailed composition of the group's regulatory capital at 30 June 2013 using the Transition Disclosures Template as specified by the HKMA. The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Basel III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

	Component of regulatory capital	Amounts subject to pre- Basel III treatment *	Cross- referenced to **
	HK\$m	HK\$m	
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>			
1 Directly issued qualifying CET1 capital instruments plus any related share premium	57,515		(33)
2 Retained earnings	256,144		(38)+(42)
3 Disclosed reserves	95,477		(35)
4 Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies) Public sector capital injections grandfathered until 1 January 2018	<b>Not applicable</b> <b>Not applicable</b>		
5 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidated group)	<u>23,581</u>		(43)
<b>6 CET1 capital before regulatory deductions</b>	<b>432,717</b>		
<b>CET1 capital: regulatory deductions</b>			
7 Valuation adjustments	2,700		(2)+(3)+(4)+ (7)+(21)
8 Goodwill (net of associated deferred tax liability)	10,802		(11)+(14)+ (17)+(27)
9 Other intangible assets (net of associated deferred tax liability)	6,166		(12)+(15)+ (18)+(28)
10 Deferred tax assets net of deferred tax liabilities	1,945	–	(16)
11 Cash flow hedge reserve	153		(37)
12 Excess of total EL amount over total eligible provisions under the IRB approach	–	–	
13 Gain-on-sale arising from securitization transactions	–		
14 Gains and losses due to changes in own credit risk on fair valued liabilities	1,634	–	(20)+(22)+ (23)+(25)
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	78	–	(19)
16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	–	
17 Reciprocal cross-holdings in CET1 capital instruments	–	–	
18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
19 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	521	100,236	(1)+(6)+(8)+ (10)+(13)- (47)-(48)
20 Mortgage servicing rights (amount above 10% threshold)	<b>Not applicable</b>		
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	<b>Not applicable</b>		

## Appendix 1: Transition Disclosures Template (continued)

	Component of regulatory capital	Amounts subject to pre- Basel III treatment *	Cross- referenced to **
	HK\$m	HK\$m	
22 Amount exceeding the 15% threshold	<b>Not applicable</b>		
23 Of which significant investments in the common stock of financial sector entities	Not applicable		
24 Of which mortgage servicing rights	Not applicable		
25 Of which deferred tax assets arising from temporary differences	Not applicable		
26 National specific regulatory adjustments applied to CET1 capital	<b>69,883</b>		
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	48,781		(36)+(41)
26b Regulatory reserve for general banking risks	21,102		(39)
27 Regulatory deductions applied to CET1 capital due to insufficient Additional Tier 1 (AT1) capital and Tier 2 capital to cover deductions	<b>11,001</b>		(50)-(49)
<b>28 Total regulatory deductions to CET1 capital</b>	<b>104,883</b>		
<b>29 CET1 capital</b>	<b>327,834</b>		
<b>AT1 capital: instruments</b>			
30 Qualifying AT1 capital instruments plus related share premium	–		
31 Of which classified as equity under applicable accounting standards	–		
32 Of which classified as liabilities under applicable accounting standards	–		
33 Capital instruments subject to phase out arrangements from AT1 capital	<b>30,663</b>		(31)
34 AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidated group)	<b>8,454</b>		(44)+(45)
35 Of which AT1 capital instruments issued by subsidiaries subject to phase out arrangements	6,225		(45)
<b>36 AT1 capital before regulatory deductions</b>	<b>39,117</b>		(49)
<b>AT1 capital: regulatory deductions</b>			
37 Investments in own AT1 capital instruments	–	–	
38 Reciprocal cross-holdings in AT1 capital instruments	–	–	
39 Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	
40 Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–	
41 National specific regulatory adjustments applied to AT1 capital	<b>50,118</b>		
41a Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	50,118		
vii Of which Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	50,118		(47)
42 Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–		
<b>43 Total regulatory deductions to AT1 capital</b>	<b>50,118</b>		(50)
<b>44 AT1 capital</b>	–		
<b>45 Tier 1 capital (Tier 1 = CET1 + AT1)</b>	<b>327,834</b>		

## Appendix 1: Transition Disclosures Template (continued)

	Component of regulatory capital	Amounts subject to pre- Basel III treatment	Cross- referenced to **
	HK\$m	HK\$m	
<b>Tier 2 capital : instruments and provisions</b>			
46	2,327		(24)
47	42,399		(26)+(29)+ (32)
48			
48	4,536		(30)+(46)
49	3,902		(30)
50	12,624		(5)+(40)
51	<b>61,886</b>		
<b>Tier 2 capital : regulatory deductions</b>			
52	–	–	
53	–	–	
54	–	–	
55	2,857	–	(9)
56	27,512		
56a	(22,606)		[(34)+(36)+ (41)] x 45%
56b	50,118		
vii	50,118		(48)
57	<b>30,369</b>		
58	<b>31,517</b>		
59	<b>359,351</b>		
60	<b>2,311,573</b>		

## Appendix 1: Transition Disclosures Template (continued)

	Component of regulatory capital	Amounts subject to pre- Basel III treatment*	Cross- referenced to **
	HK\$m	HK\$m	
<b>Capital ratios (as a percentage of risk weighted assets)</b>			
61 CET1 capital ratio	14.18%		
62 Tier 1 capital ratio	14.18%		
63 Total capital ratio	15.55%		
64 Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	3.50%		
65 Of which capital conservation buffer requirement	0.00%		
66 Of which bank specific countercyclical buffer requirement	0.00%		
67 Of which G-SIB or D-SIB buffer requirement	0.00%		
68 CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	10.68%		
<b>National minima (if different from Basel 3 minimum)</b>			
69 National CET1 minimum ratio	Not applicable		
70 National Tier 1 minimum ratio	Not applicable		
71 National total capital minimum ratio	Not applicable		
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
72 Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	15,506		
73 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	32,888		
74 Mortgage servicing rights (net of related tax liability)	Not applicable		
75 Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable		
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>			
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardised (credit risk) approach (prior to application of cap)	3,057		
77 Cap on inclusion of provisions in Tier 2 under the basic approach and the standardised (credit risk) approach	2,625		
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	14,421		
79 Cap for inclusion of provisions in Tier 2 under the IRB approach	9,999		
<b>Capital instruments subject to phase-out arrangements</b>			
80 Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable		
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable		
82 Current cap on AT1 capital instruments subject to phase out arrangements	46,413		
83 Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	—		
84 Current cap on Tier 2 capital instruments subject to phase out arrangements	49,565		
85 Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	—		

\* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

\*\* Cross-referenced to Balance Sheet Reconciliation in Appendix 2b.

**Appendix 1: Transition Disclosures Template** *(continued)***Notes to the template**

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis HK\$m	Basel III basis HK\$m
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<b>10</b>	<b>Deferred tax assets net of deferred tax liabilities</b>	<b>1,945</b>	<b>297</b>
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Explanation

As set out in paragraph 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), Deferred Tax Assets ('DTAs') that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for Mortgage Servicing Rights ('MSRs'), DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.

<b>19</b>	<b>Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	<b>100,757</b>	<b>99,227</b>
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Explanation

For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the Monetary Authority that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business.

Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.

## Remarks:

The amount of the 10%/15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the Banking (Capital) Rules.

**Appendix 2: Balance Sheet Reconciliation**

The following tables together provide a reconciliation of the group's consolidated statement of financial position, as published in the 2013 Interim Consolidated Results - Highlights, to the Transition Disclosures Template in Appendix 1 of this document.

- a. The following table sets out the group's consolidated statement of financial position at 30 June 2013 based on the accounting scope of consolidation and the corresponding balances based on the regulatory scope of consolidation.

	At 30 June 2013	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m
<b>Assets</b>		
Cash and short-term funds	981,440	971,261
Items in the course of collection from other banks	28,035	28,035
Placings with banks maturing after one month	201,167	192,199
Certificates of deposit	100,206	88,967
Hong Kong Government certificates of indebtedness	188,334	188,334
Trading assets	366,443	331,293
Financial assets designated at fair value	80,192	1,554
Derivatives	379,128	378,907
Loans and advances to customers	2,481,588	2,478,255
Financial investments	669,952	483,566
Amounts due from Group companies	147,637	180,830
Investments in subsidiaries	–	11,222
Interests in associates and joint ventures	101,537	99,210
Goodwill and intangible assets	39,844	12,536
Property, plant and equipment	98,813	96,868
Deferred tax assets	1,886	1,847
Other assets	114,858	98,582
<b>Total assets</b>	<b>5,981,060</b>	<b>5,643,466</b>



**Appendix 2: Balance Sheet Reconciliation** (continued)

	At 30 June 2013	
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m
<b>Liabilities</b>		
Hong Kong currency notes in circulation	188,334	188,334
Items in the course of transmission to other banks	48,946	48,946
Deposits by banks	235,957	235,351
Customer accounts	3,779,575	3,769,931
Trading liabilities	196,544	196,380
Financial liabilities designated at fair value	45,877	9,984
Derivatives	362,412	362,130
Debt securities in issue	74,789	74,575
Retirement benefit liabilities	5,028	4,940
Amounts due to Group companies	113,296	136,243
Other liabilities and provisions	88,318	85,216
Liabilities under insurance contracts issued	260,664	–
Current tax liabilities	7,768	6,922
Deferred tax liabilities	15,636	11,022
Subordinated liabilities	13,257	13,257
Preference shares	54,318	54,205
<b>Total liabilities</b>	<b>5,490,719</b>	<b>5,197,436</b>
<b>Equity</b>		
Share capital	58,969	58,969
Other reserves	95,520	95,477
Retained profits	287,493	247,144
Proposed dividend	9,000	9,000
Total shareholders' equity	450,982	410,590
Non-controlling interests	39,359	35,440
Total equity	490,341	446,030
<b>Total equity and liabilities</b>	<b>5,981,060</b>	<b>5,643,466</b>

**Appendix 2: Balance Sheet Reconciliation** *(continued)*

- b. The following table expands the balance sheet under the regulatory scope of consolidation to show separately the capital components that are reported in the Transition Disclosures Template in Appendix 1. The capital components in this table contain a reference which shows how these amounts are included in the Transition Disclosures Template in Appendix 1.

## Appendix 2: Balance Sheet Reconciliation (continued)

	At 30 June 2013		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
<b>Assets</b>			
Cash and short-term funds	981,440	971,261	
Items in the course of collection from other banks	28,035	28,035	
Placings with banks maturing after one month	201,167	192,199	
Certificates of deposit	100,206	88,967	
Hong Kong Government certificates of indebtedness	188,334	188,334	
Trading assets	366,443	331,293	
Of which significant capital investments in financial sector entities exceeding 10% threshold		494	(1)
Of which valuation adjustments		350	(2)
Financial assets designated at fair value	80,192	1,554	
Of which valuation adjustments		3	(3)
Derivatives	379,128	378,907	
Of which valuation adjustments		1,130	(4)
Loans and advances to customers	2,481,588	2,478,255	
Of which impairment allowances eligible for inclusion in Tier 2 capital		1,959	(5)
Financial investments	669,952	483,566	
Of which significant capital investments in financial sector entities exceeding 10% threshold		19,542	(6)
Of which valuation adjustments		1,216	(7)
Amounts due from Group companies	147,637	180,830	
Of which significant capital investments in financial sector entities exceeding 10% threshold		1,530	(8)
Of which significant capital investments in financial sector entities		2,857	(9)
Investments in subsidiaries	–	11,222	
Of which significant capital investment in financial sector entities exceeding 10% threshold		8,461	(10)
Interests in associates and joint ventures	101,537	99,210	
Of which goodwill		4,690	(11)
Of which intangible assets		704	(12)
Of which significant capital investments in financial sector entities exceeding 10% threshold		70,730	(13)
Goodwill and intangible assets	39,844	12,536	
Of which goodwill		6,211	(14)
Of which intangible assets		6,325	(15)
Property, plant and equipment	98,813	96,868	
Deferred tax assets	1,886	1,847	
Of which deferred tax assets net of related tax liabilities		1,945	(16)
Of which deferred tax liabilities related to goodwill		(72)	(17)
Of which deferred tax liabilities related to intangibles		(26)	(18)
Other assets	114,858	98,582	
Of which defined pension fund net assets		78	(19)
<b>Total assets</b>	<b>5,981,060</b>	<b>5,643,466</b>	

## Appendix 2: Balance Sheet Reconciliation (continued)

	At 30 June 2013		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
<b>Liabilities</b>			
Hong Kong currency notes in circulation	188,334	188,334	
Items in the course of transmission to other banks	48,946	48,946	
Deposits by banks	235,957	235,351	
Customer accounts	3,779,575	3,769,931	
Trading liabilities	196,544	196,380	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		196	(20)
Of which valuation adjustments		1	(21)
Financial liabilities designated at fair value	45,877	9,984	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		8	(22)
Derivatives	362,412	362,130	
Of which gains and losses due to changes in own credit risk on fair valued liabilities		1,352	(23)
Debt securities in issue	74,789	74,575	
Retirement benefit liabilities	5,028	4,940	
Amounts due to Group companies	113,296	136,243	
Of which qualifying Tier 2 capital instruments		2,327	(24)
Of which gains and losses due to changes in own credit risk on fair valued liabilities		78	(25)
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		9,502	(26)
Other liabilities and provisions	88,318	85,216	
Liabilities under insurance contracts issued	260,664	–	
Current tax liabilities	7,768	6,922	
Deferred tax liabilities	15,636	11,022	
Of which deferred tax liabilities related to goodwill		(27)	(27)
Of which deferred tax liabilities related to intangibles		(837)	(28)
Subordinated liabilities	13,257	13,257	
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		9,355	(29)
Of which portion eligible for Tier 2 capital instruments issued by subsidiaries, subject to phase out arrangements		3,902	(30)
Preference shares	54,318	54,205	
Of which portion eligible for AT1 capital instruments, subject to phase out arrangements		30,663	(31)
Of which portion eligible for Tier 2 capital instruments, subject to phase out arrangements		23,542	(32)
<b>Total liabilities</b>	<b>5,490,719</b>	<b>5,197,436</b>	

## Appendix 2: Balance Sheet Reconciliation (continued)

	At 30 June 2013		
	Balance sheet in published financial statements HK\$m	Under regulatory scope of consolidation HK\$m	Cross- referenced to Definition of Capital Components
<b>Equity</b>			
Share capital	<b>58,969</b>	<b>58,969</b>	
Of which qualifying CET1 capital instruments		57,515	(33)
Of which revaluation reserve capitalisation issue		1,454	(34)
Other reserves	<b>95,520</b>	<b>95,477</b>	(35)
Of which fair value gains arising from revaluation of land and buildings		45,170	(36)
Of which cash flow hedging reserve		153	(37)
Retained profits	<b>287,493</b>	<b>247,144</b>	(38)
Of which regulatory reserve for general banking risks		21,102	(39)
Of which regulatory reserve eligible for inclusion in Tier 2 capital		10,665	(40)
Of which fair value gains arising from revaluation of land and buildings		3,611	(41)
Proposed dividend	<b>9,000</b>	<b>9,000</b>	(42)
Total shareholders' equity	<b>450,982</b>	<b>410,590</b>	
Non-controlling interests	<b>39,359</b>	<b>35,440</b>	
Of which portion eligible for inclusion in CET1 capital		23,581	(43)
Of which portion eligible for inclusion in AT1 capital		2,229	(44)
Of which portion in AT1 capital, subject to phase out arrangements		6,225	(45)
Of which portion eligible for inclusion in Tier 2 capital		634	(46)
Total equity	<b>490,341</b>	<b>446,030</b>	
<b>Total equity and liabilities</b>	<b>5,981,060</b>	<b>5,643,466</b>	