

TAI SANG BANK LIMITED
INTERIM FINANCIAL DISCLOSURE STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2014 (UNAUDITED)

I. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half Year Ended 30 Jun 2014 (Unaudited) HK\$	Half Year Ended 30 Jun 2013 (Unaudited) HK\$
Interest Income	5,595,299	3,570,785
Interest Expenses	(351,130)	(273,308)
Net Interest Income	<u>5,244,169</u>	<u>3,297,477</u>
Other Operating Income	5,244,281	5,336,315
Operating Income	<u>10,488,450</u>	<u>8,633,792</u>
Operating Expenses	(9,515,907)	(8,641,063)
Operating Profit / (Loss) Before Impairment	<u>972,543</u>	<u>(7,271)</u>
Impairment Allowances for Impaired Assets	-	-
Operating Profit / (Loss)	<u>972,543</u>	<u>(7,271)</u>
Revaluation Surplus of Investment Properties	2,200,000	7,000,000
Loss on Disposal of Property, Plant & Equipment	(6,348)	(2,538)
Profit Before Income Tax	<u>3,166,195</u>	<u>6,990,191</u>
Taxation Credit	38,821	25,276
Profit Attributable to Shareholders	<u>3,205,016</u>	<u>7,015,467</u>
Other Comprehensive Loss:		
Available-for-Sale Investments:		
Decrease in Fair Value during the Half Year	(11,841)	(1,661,884)
Deferred Tax	-	-
Total Comprehensive Income Attributable to Shareholders for the Half Year Ended 30th June	<u><u>3,193,175</u></u>	<u><u>5,353,583</u></u>

Explanatory Statement

The level of customers' deposits of the Bank has increased during the first half of 2014. Despite the persistently low market interest rates during this period, interest income increased from the corresponding period of 2013, mainly contributed by the Bank's loan portfolio and the increased activities in money market placements. Net interest income also improved from 2013 by 59%. Other operating income has slightly decreased in 2014 mainly as a result of increased rental outgoings for the first half of 2014. Other operating expenses were vulnerable to inflationary increases and higher property expenses. The Bank's loan portfolio has decreased from the level of the year-end 2013, due to a decrease in its outstanding overdrafts. Escalating property prices have brought higher value to the Group's investment properties. Financial condition of the Bank remains sound, with nil loan losses, adequate capital and high liquidity.

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
ASSETS		
Cash and Balances with Banks	611,807,819	611,298,022
Placements with Banks Maturing within One and Twelve Months	434,150,433	335,296,541
Loans and Advances to Customers & Other Accounts	152,930,371	161,572,210
Available-for-sale Investments	39,125,737	38,952,204
Property, Plant & Equipment	74,631,487	74,891,310
Investment Properties	241,200,000	239,000,000
TOTAL ASSETS	<u>1,553,845,847</u>	<u>1,461,010,287</u>
LIABILITIES		
Deposits from Customers	919,169,536	828,503,128
Other Liabilities & Provisions	17,921,886	18,907,088
Deferred Tax Liabilities	5,305,594	5,344,415
TOTAL LIABILITIES	<u>942,397,016</u>	<u>852,754,631</u>
EQUITY		
Share Capital	310,000,000	310,000,000
Properties Revaluation Reserve	2,495,717	2,495,717
Investment Revaluation Reserve	5,525,707	5,537,548
General Reserve	610,257	610,257
Regulatory Reserve	1,800,000	1,700,000
Retained Earnings	291,017,150	287,912,134
TOTAL EQUITY	<u>611,448,831</u>	<u>608,255,656</u>
TOTAL LIABILITIES AND EQUITY	<u>1,553,845,847</u>	<u>1,461,010,287</u>

III. SCOPE OF CONSOLIDATION

This interim financial disclosure statement has been prepared based on the consolidated results and financial data of the Bank and its four subsidiaries made up to 30 June 2014. The four wholly owned subsidiaries of the Bank are TSB Property Management Limited, Success Land Enterprises Limited, Golden Wisdom Development Limited and Team Gold Investment Limited (formerly known as Team Gold Trading Limited), the first two of which are engaged in property management and investment holding respectively, while the latter two are investment property holding companies. There were no subsidiaries which were not included in the consolidated Group.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The basis of consolidation for accounting purposes differs from the basis of consolidation for regulatory purposes, under which only Success Land Enterprises Limited, Golden Wisdom Development Limited and Team Gold Investment Limited are included as subsidiaries in the consolidated Group for regulatory purposes. Since May 2014, the Bank is required to calculate and report its capital ratios on the consolidated position based on the regulatory scope of consolidated figures in addition to the Bank's solo position based on its unconsolidated level figures.

The total assets and total equity reported on the financial statement of each of the above mentioned subsidiaries as at 30 June 2014 are as follows:

	Total Assets At 30 Jun 2014 (Unaudited) HK\$	Total Equity At 30 Jun 2014 (Unaudited) HK\$
TSB Property Management Limited	<u>259,252</u>	<u>102,872</u>
Success Land Enterprises Limited	<u>2</u>	<u>2</u>
Golden Wisdom Development Limited	<u>23,515,141</u>	<u>23,339,646</u>
Team Gold Investment Limited	<u>20,428,399</u>	<u>20,177,920</u>

There are no restrictions on the transfer of funds or regulatory capital between the Group companies under any relevant regulatory, legal or taxation constraints.

IV. SUPPLEMENTARY INFORMATION

(1) Net Interest Income

	Half Year Ended 30 Jun 2014 (Unaudited) HK\$	Half Year Ended 30 Jun 2013 (Unaudited) HK\$
Interest income		
Cash and balances and placements with banks	2,351,829	762,581
Loans and advances	3,243,470	2,808,204
Impaired assets	<u>-</u>	<u>-</u>
	<u>5,595,299</u>	<u>3,570,785</u>
Interest expense		
Deposits from customers	350,699	273,192
Others	<u>431</u>	<u>116</u>
	<u>351,130</u>	<u>273,308</u>

(2) Other Operating Income

	Half Year Ended 30 Jun 2014 (Unaudited) HK\$	Half Year Ended 30 Jun 2013 (Unaudited) HK\$
Fees and commission income	99,345	194,878
Less : fees and commission expense	(17,464)	(17,427)
Net fees and commission income	<u>81,881</u>	<u>177,451</u>
Gross rental income - investment properties	3,482,379	3,397,104
Less : rental outgoings	(1,167,713)	(681,490)
	<u>2,314,666</u>	<u>2,715,614</u>
Air-conditioning and management fees	801,056	506,344
Dividend income from listed available-for-sale investments	520,718	523,479
Miscellaneous income (includes mainly safe deposit box rental income and others)	<u>1,525,960</u>	<u>1,413,427</u>
	<u>5,244,281</u>	<u>5,336,315</u>

(3) Operating Expenses

	Half Year Ended 30 Jun 2014 (Unaudited) HK\$	Half Year Ended 30 Jun 2013 (Unaudited) HK\$
Staff costs	5,698,427	5,399,578
Premises and equipment expenses	1,197,396	613,193
Depreciation	454,749	509,168
Miscellaneous expenses	<u>2,165,335</u>	<u>2,119,124</u>
	<u>9,515,907</u>	<u>8,641,063</u>

(4) Income Tax Credit

Hong Kong income tax has been provided at the rate of 16.5% (2013:16.5%) on the estimated assessable profit for the period.

	Half Year Ended 30 Jun 2014 (Unaudited) HK\$	Half Year Ended 30 Jun 2013 (Unaudited) HK\$
Deferred income tax credit	<u>38,821</u>	<u>25,276</u>

(5) Cash and Balances with Banks

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Cash in hand	5,606,002	4,964,627
Balances with banks	355,024,267	411,333,395
Placement with banks and other financial institutions maturing within 1 month	251,177,550	195,000,000
	<u>611,807,819</u>	<u>611,298,022</u>
Impairment allowances for impaired assets -collective & specific impairment allowances (cash and balances with banks)	<u>-</u>	<u>-</u>

(6) Placements with Banks

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Placements with banks		
– maturing between 1 and 12 months	<u>434,150,433</u>	<u>335,296,541</u>
Impairment allowances for impaired assets		
-collective & specific impairment allowances (placements with banks)	<u>-</u>	<u>-</u>

(7) Loans and Advances to Customers and Other Accounts

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Loans and advances to customers	<u>123,092,297</u>	<u>159,907,861</u>
Accrued interest and other accounts	<u>29,838,074</u>	<u>1,664,349</u>
Impairment allowances for impaired assets		
-collective & specific impairment allowances (loans and advances to customers)	<u>-</u>	<u>-</u>
-collective & specific impairment allowances (accrued interest & other accounts)	<u>-</u>	<u>-</u>

- (8) As at 31 December 2013 and 30 June 2014, there were no advances to customers or banks and other financial institutions which were impaired and for which individual impairment allowances were made.
- (9) There were no advances to customers, advances to banks and other financial institutions and other assets which had been overdue for more than three months as at 31 December 2013 and 30 June 2014.
- (10) There were no rescheduled advances to customers or rescheduled advances to banks and other financial institutions as at 31 December 2013 and 30 June 2014.
- (11) The Group had no repossessed assets as at 31 December 2013 and 30 June 2014. In situations where assets are acquired by repossession of collateral for realization, they would continue to be reported as advances.
- (12) There were no exposures to non-bank counterparties in Mainland China as at 31 December 2013 and 30 June 2014.

(13) Gross Advances to Customers by Industry Sectors

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Unaudited) HK\$
Loans for use in Hong Kong		
Industrial, commercial and financial		
- property investment	85,171,191	86,401,193
Stockbrokers	1,059,337	671,682
Investment companies	21,866,956	57,278,548
Individuals		
- loans for the purchase of residential properties other than flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	12,258,788	11,919,756
- others	316,233	269,686
Trade finance	<u>2,419,792</u>	<u>3,366,996</u>
	<u>123,092,297</u>	<u>159,907,861</u>

- (14) All advances disclosed in note (7) above as at 31 December 2013 and 30 June 2014 were made to customers located in Hong Kong and were fully secured, with the exception of HK\$83,380 as at 30 June 2014, representing an unsecured overdraft granted (2013: HK\$269,686).

(15) Property, Plant and Equipment

	Bank premises HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
Cost or Deemed cost at valuation			
At 1 Jan 2014	117,618,203	13,141,716	130,759,919
Additions	-	204,154	204,154
Write off/ disposal	-	(21,600)	(21,600)
At 30 Jun 2014 (Unaudited)	<u>117,618,203</u>	<u>13,324,270</u>	<u>130,942,473</u>
Accumulated depreciation and impairment			
At 1 Jan 2014	47,373,173	8,495,436	55,868,609
Charge for the period	194,315	260,434	454,749
Write off/ disposal	-	(12,372)	(12,372)
At 30 Jun 2014 (Unaudited)	<u>47,567,488</u>	<u>8,743,498</u>	<u>56,310,986</u>
Net book value			
At 30 Jun 2014 (Unaudited)	<u>70,050,715</u>	<u>4,580,772</u>	<u>74,631,487</u>
At 31 Dec 2013 (Audited)	<u>70,245,030</u>	<u>4,646,280</u>	<u>74,891,310</u>

(16) Investment Properties

	HK\$
At 1 Jan 2013	225,000,000
Fair value gains for the year	<u>14,000,000</u>
At 31 Dec 2013 (Audited)	239,000,000
Fair value gains for the 6 month period	<u>2,200,000</u>
At 30 Jun 2014 (Unaudited)	<u>241,200,000</u>

(17) Deposits from Customers

Deposits from customers comprise of the following categories :

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Demand deposits and current accounts	96,573,247	80,957,357
Savings deposits	629,231,667	550,620,659
Time, call and notice deposits	193,364,622	196,925,112
	<u>919,169,536</u>	<u>828,503,128</u>

(18) Reserves

	Other properties revaluation reserve HK\$	Investment revaluation reserve HK\$	General reserve HK\$	Regulatory reserve HK\$	Retained earnings HK\$	Total HK\$
At 1 Jan 2014 (Audited)	2,495,717	5,537,548	610,257	1,700,000	287,912,134	298,255,656
Deficit on revaluation of available-for-sale investments	-	(11,841)	-	-	-	(11,841)
Transfer to regulatory reserve	-	-	-	100,000	(100,000)	-
Profit for the half year	-	-	-	-	3,205,016	3,205,016
At 30 Jun 2014 (Unaudited)	<u>2,495,717</u>	<u>5,525,707</u>	<u>610,257</u>	<u>1,800,000</u>	<u>291,017,150</u>	<u>301,448,831</u>

(19) Cross-Border Claims

The break-down of the cross-border claims by types of counterparties on geographical segment which constitutes 10% or more of the aggregate cross-border claims are reported as follows:

	Banks and other Financial Institutions HK\$'000	Total HK\$'000
As at 30 June 2014 (Unaudited)		
Asia Pacific excluding Hong Kong	<u>428,000</u>	<u>428,000</u>
Western Europe	<u>8,000</u>	<u>8,000</u>
As at 31 December 2013 (Unaudited)		
Asia Pacific excluding Hong Kong	<u>253,000</u>	<u>253,000</u>
Western Europe	<u>8,000</u>	<u>8,000</u>

The above cross-border claims classification has taken into account the transfer of risk in the case of claims on overseas branches of a bank whose head office is located in another country.

(20) Currency Concentrations

The US dollar net position, which arises from non-trading position and constitutes more than 10% of the total net position in all foreign currencies and is reported as follows:

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Unaudited) HK\$
Equivalent in Hong Kong dollars		
Spot assets	36,241,000	36,151,000
Spots liabilities	(34,871,000)	(34,935,000)
Net long position	<u>1,370,000</u>	<u>1,216,000</u>

(21) Off-Balance Sheet Exposures

(a) Contingent liabilities and commitments

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Contract amount		
Direct credit substitutes	4,996,000	4,996,000
Trade-related contingencies	3,690,926	1,875,772
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	<u>51,669,596</u>	<u>7,547,325</u>
	<u>60,356,522</u>	<u>14,419,097</u>
Credit Risk Weighted Amount	<u>5,734,185</u>	<u>5,371,154</u>

(b) Derivatives

	As at 30 Jun 2014 (Unaudited) HK\$	As at 31 Dec 2013 (Audited) HK\$
Exchange Rate Contracts		
Notional Contract Amount	<u>-</u>	<u>-</u>
Credit Risk Weighted Amount	<u>-</u>	<u>-</u>
Replacement Cost	<u>-</u>	<u>-</u>
Interest Rate Contracts		
Notional Contract Amount	<u>-</u>	<u>-</u>
Credit Risk Weighted Amount	<u>-</u>	<u>-</u>
Replacement Cost	<u>-</u>	<u>-</u>
Other Contracts		
Notional Contract Amount	<u>-</u>	<u>-</u>
Credit Risk Weighted Amount	<u>-</u>	<u>-</u>
Replacement Cost	<u>-</u>	<u>-</u>

The Group did not enter into any bilateral netting agreements during the period and accordingly the above amounts are shown on a gross basis.

(22) Liquidity Ratios

	30 Jun 2014 (Unaudited)	30 Jun 2013 (Unaudited)
Liquidity ratio	<u>83.27%</u>	<u>96.75%</u>

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the six months of the financial period of the Bank's solo position computed in accordance with the Banking (Disclosure) Rules.

(23) Capital Structure and Adequacy

The table below summaries the capital ratios of the Bank as at 30 June 2014 and 31 December 2013. The Bank was required by the HKMA to commence its computation and reporting on capital ratios on both consolidated and solo basis from May 2014. The Bank and the Group complied with all of the externally imposed capital requirements by the HKMA throughout the reporting period.

	Consolidated Basis As at 30 Jun 2014 (Unaudited)	Solo Basis As at 31 Dec 2013 (Audited)
Common equity tier 1 capital ratio	<u>71.56%</u>	<u>71.46%</u>
Tier 1 capital ratio	<u>71.56%</u>	<u>71.46%</u>
Total capital ratio	<u>92.40%</u>	<u>92.12%</u>

The capital ratio represents the solo ratio of the Bank as at 31 December 2013 and the consolidated ratio of the Bank as at 30 June 2014 as computed in accordance with the Banking (Capital) Rules. In accordance with the Banking (Capital) Rules, the Bank has adopted the "basic approach" for the calculation of the risk weighted assets for credit risk, and the "basic indicator approach" for the calculation of operational risk. The Bank has been exempted from the calculation of risk weighted assets for market risk.

(23) Capital Structure and Adequacy (Continued)

The capital base after deductions used in the calculation of the above capital ratios and reported to the Hong Kong Monetary Authority is analysed as follows :

	Consolidated Basis 30 June 2014 (Unaudited) HK\$'000	Solo Basis 31 Dec 2013 (Audited) HK\$'000
Common equity tier 1 (CET1) capital :		
CET1 capital instruments	264,987	264,987
Retained earnings	290,924	287,864
Disclosed reserves	<u>10,432</u>	<u>10,344</u>
	566,343	563,195
Less: Cumulative fair value gains arising from revaluation of land and buildings	(192,101)	(189,901)
Regulatory reserve for general banking risk	<u>(1,800)</u>	<u>(1,700)</u>
Total CET1 capital after deductions	<u>372,442</u>	<u>371,594</u>
Additional Tier 1 capital	<u>-</u>	<u>-</u>
Total Tier 1 capital after deductions	<u>372,442</u>	<u>371,594</u>
Tier 2 capital		
Reserve attributable to fair value gains on revaluation of land and buildings	106,701	105,711
Regulatory reserve for general banking risk	<u>1,800</u>	<u>1,700</u>
	108,501	107,411
Less : Tier 2 capital deductions	<u>-</u>	<u>-</u>
Total Tier 2 capital after deductions	<u>108,501</u>	<u>107,411</u>
Total Capital base	<u>480,943</u>	<u>479,005</u>

The Capital Disclosures Template, Main Features Template and the reconciliation between the Bank's Consolidated Statement of Financial Position and the Capital Disclosures Template as at 30 June 2014 (unaudited) are attached to this interim financial disclosure statement. The Capital Disclosures Template is used as full capital deductions under the Banking (Capital) Rules have already been applied. Full terms and conditions of the Bank's CET1 capital instruments are disclosed in the website of the Bank.

(24) Statement of Compliance

This interim financial disclosure statement is prepared in accordance with and fully complies with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

Tai Sang Bank Limited

Capital Disclosures Template as at 30 June 2014

CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	264,987
2	Retained earnings	290,924
3	Disclosed reserves	10,432
4	<i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	0
6	CET1 capital before regulatory deductions	566,343
CET1 capital: regulatory deductions		
7	Valuation adjustments	0
8	Goodwill (net of associated deferred tax liability)	0
9	Other intangible assets (net of associated deferred tax liability)	0
10	Deferred tax assets net of deferred tax liabilities	0
11	Cash flow hedge reserve	0
12	Excess of total EL amount over total eligible provisions under the IRB approach	0
13	Gain-on-sale arising from securitization transactions	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	0
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	0
17	Reciprocal cross-holdings in CET1 capital instruments	0
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable
22	Amount exceeding the 15% threshold	Not applicable
23	of which: significant investments in the common stock of financial sector entities	Not applicable
24	of which: mortgage servicing rights	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	193,901
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	192,101
26b	Regulatory reserve for general banking risks	1,800
26c	Securitization exposures specified in a notice given by the Monetary Authority	0
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	0
26e	Capital shortfall of regulated non-bank subsidiaries	0
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	0
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	0
28	Total regulatory deductions to CET1 capital	193,901
29	CET1 capital	372,442
AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	0
31	of which: classified as equity under applicable accounting standards	0
32	of which: classified as liabilities under applicable accounting standards	0
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	0
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	0

35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	0
36	AT1 capital before regulatory deductions	0
AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	0
38	Reciprocal cross-holdings in AT1 capital instruments	0
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
41	National specific regulatory adjustments applied to AT1 capital	0
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	0
43	Total regulatory deductions to AT1 capital	0
44	AT1 capital	0
45	Tier 1 capital (Tier 1 = CET1 + AT1)	372,442
Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	0
47	<i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	0
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	0
49	<i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	0
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,800
51	Tier 2 capital before regulatory deductions	1,800
Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	0
53	Reciprocal cross-holdings in Tier 2 capital instruments	0
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
56	National specific regulatory adjustments applied to Tier 2 capital	(106,701)
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(106,701)
57	Total regulatory deductions to Tier 2 capital	(106,701)
58	Tier 2 capital	108,501
59	Total capital (Total capital = Tier 1 + Tier 2)	480,943
60	Total risk weighted assets	520,480
Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	71.56%
62	Tier 1 capital ratio	71.56%
63	Total capital ratio	92.40%
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s 3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%
65	<i>of which: capital conservation buffer requirement</i>	0.00%
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.00%
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	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 3B of the BCR	67.06%
National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable
70	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
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	0

73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	0
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
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	1,800
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	7,765
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	0
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	0
Capital instruments subject to phase-out arrangements between 1 Jan 2018 and 1 Jan 2022)		(only applicable)
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	0
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	0
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	0
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	0

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	Basel III basis
	Other intangible assets (net of associated deferred tax liability)	0	0
9	<u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (MSRs) 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 follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 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 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
	Deferred tax assets net of deferred tax liabilities	0	0
10	<u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), 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 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.		

18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<p><u>Explanation</u></p> <p>For the purpose of determining the total amount of insignificant 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, indirect 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.</p> <p>Therefore, the amount to be deducted as reported in row 18 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 18 (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.</p>		
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<p><u>Explanation</u></p> <p>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, indirect 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.</p> <p>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.</p>		
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 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 39 (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.</p>		
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0	0
	<p><u>Explanation</u></p> <p>The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 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 54 (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.</p>		
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.			

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

Tai Sang Bank Limited

Consolidated Balance Sheet as at 30 June 2014

	Consolidated Statement of Financial Position as in published interim financial disclosure statement	Under regulatory scope of consolidation - Group's Statement of Financial Position	Cross-referenced to Definition of Capital Components
	HKS'000	HKS'000	
Assets			
Cash and balances with banks	611,808	611,808	
Placements with banks maturing between one and twelve months	434,150	434,150	
Loans and advances to customers and other accounts	152,930	152,929	
Available-for-sale investments	39,126	39,126	
Investment in subsidiary not consolidated for regulatory purposes	0	10	
Property, plant and equipment	74,632	74,632	
Investment properties	241,200	241,200	
Total assets	1,553,846	1,553,855	
Liabilities			
Deposits from customers	919,169	919,449	
Other liabilities and provisions	17,922	17,744	
Deferred tax liabilities	5,306	5,306	
Total liabilities	942,397	942,499	
Shareholders' Equity			
Paid-in share capital	310,000	310,000	
<i>of which: share capital paid up in cash and capitalized from realized revaluation gains of properties</i>		264,987	(1)
<i>share capital capitalized from unrealized revaluation gains of properties</i>		45,013	(2)
Other properties revaluation reserve	2,496	2,496	(3)
Investment revaluation reserve	5,526	5,526	(4)
General reserve	610	610	(5)
Regulatory reserve	1,800	1,800	(6)
Retained earnings	291,017	290,924	(7)
<i>of which: unrealized revaluation gains of investment properties</i>		189,605	(8)
<i>other retained earnings and profits</i>		101,319	
Total shareholders' equity	611,449	611,356	
Total liabilities and shareholders' equity	1,553,846	1,553,855	

Tai Sang Bank Limited

Extract of Capital Disclosure Template as at 30 June 2014 (with added reference column)

	Component of regulatory capital reported by Bank	Cross-referenced to Consolidated Statement of Financial Position above
	HK\$'000	
CET1 capital : instruments and reserves		
1 Directly issued qualifying CET1 capital instruments plus any related share premium	264,987	(1)
2 Retained earnings	290,924	(7)
3 Disclosed reserves	10,432	(3)+(4)+(5)+(6)
6 CET1 capital before regulatory deductions	566,343	
CET1 capital : regulatory deductions		
26 National specific regulatory adjustments applied to CET1 capital	193,901	
26a Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	192,101	(3)+(8)
26b Regulatory reserve for general banking risks	1,800	(6)
28 Total regulatory deductions to CET1 capital	193,901	
29 CET1 capital	372,442	
AT1 capital : instruments		
36 AT1 capital before regulatory deductions	0	
AT1 capital : regulatory deductions		
43 Total regulatory deductions to AT1 capital	0	
44 AT1 capital	0	
45 Tier 1 capital (Tier 1 = CET1 + AT1)	372,442	
Tier 2 capital : instruments and provisions		
50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,800	(6)
51 Tier 2 capital before regulatory deductions	1,800	
Tier 2 capital : regulatory deductions		
56 National specific regulatory adjustments applied to Tier 2 capital	(106,701)	
56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	(106,701)	[(2)+(3)+(8)]*45%
57 Total regulatory deductions to Tier 2 capital	(106,701)	
58 Tier 2 capital	108,501	
59 Total capital (Total capital = Tier 1 + Tier 2)	480,943	

Tai Sang Bank Limited
Main Features Template as at 30 June 2014

1	Issuer	Tai Sang Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Laws of Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules [#]	Not applicable
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HKD 265 (Mn)
9	Par value of instrument	HKD 1
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1954, 1969, 1990, 2001, 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating dividend
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

[#] *Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*

⁺ *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*

^{*} *Include solo-consolidated*

