THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wing Hang Bank, Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.

The Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

OVERSEA-CHINESE BANKING CORPORATION LIMITED
(Incorporated in the Republic of Singapore with limited liability)
OCBC PEARL LIMITED
(Incorporated in the Republic of Singapore with limited liability)

WING HANG BANK, LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 302)

COMPOSITE DOCUMENT REGARDING CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY MERRILL LYNCH (ASIA PACIFIC) LIMITED AND J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED WING HANG BANK, LIMITED SHARES HELD BY QUALIFYING WING HANG BANK, LIMITED SHAREHOLDERS AND TO CANCEL ALL THE OUTSTANDING AWARDS OF WING HANG BANK, LIMITED

Financial advisers to Oversea-Chinese Banking Corporation Limited and OCBC Pearl Limited

Financial advisers to Wing Hang Bank, Limited

Independent Financial Adviser to the Independent Board Committee

Qualifying WHB Shareholders and WHB Optionholders should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notices" beginning on page 2 of this Composite Document, and "Overseas Qualifying WHB Shareholders and WHB Optionholders" in the letter from BofAML and J.P. Morgan and Appendix I to this Composite Document beginning on page 12 and page I-1 of this Composite Document, respectively.

Capitalised terms used in this cover page have the same meaning as those defined in the section headed "Definitions" in this Composite Document. A letter from BofAML and J.P. Morgan containing, among other things, the details of the terms and conditions of the Offers is set out on pages 12 to 22 of this Composite Document. A letter from the WHB Board is set out on pages 23 to 28 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Qualifying WHB Shareholders and WHB Optionholders in respect of the Offers is set out on pages 29 to 30 of this Composite Document. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 31 to 53 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by the Share Registrar by no later than 4:00 p.m. (Hong Kong time) on Tuesday 29 July 2014, being the Offer Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Qualifying WHB Shareholders and WHB Optionholders" in the letter from BofAML and J.P. Morgan and Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Qualifying WHB Shareholder and WHB Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Qualifying WHB Shareholders and WHB Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

30 June 2014

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The timetable set out below assumes that the Offers will become or be declared unconditional in all respects on or before the 7th day after the despatch date of this Composite Document. The timetable is indicative only and any changes to the timetable will be jointly announced by OCBC, the Offeror and WHB.

Despatch date of this Composite Document and commencement of the Offers *(Note 1)*	30 June 2014
The Undertaking Shareholders' and Additional Undertaking Shareholders' acceptance of the Offers under the Irrevocable Undertakings and Additional Irrevocable Undertakings *(Note 2)*	by 7 July 2014
Offer Closing Date *(Note 3)*	29 July 2014
Announcement of the results of the Offers as at the Offer Closing Date to be posted on the website of the Stock Exchange *(Note 4)*	no later than 7:00 p.m. on 29 July 2014
Latest date for posting of remittances for amounts due under the Offers *(Note 5)*	7 August 2014

Notes:

1. The Offers are made on 30 June 2014, being the date of posting of this Composite Document, and are capable of acceptance from and on that date for the whole of the Offer Period.
2. Each of the Undertaking Shareholders and the Additional Undertaking Shareholders has irrevocably undertaken to the Offeror and to BofAML that the Share Offer will be accepted by it in respect of all of its respective IU Shares or AIU Shares not later than seven days after the despatch date of the Composite Document. The percentage of the share capital of WHB made up by all of the IU Shares and AIU Shares is approximately 48.23 per cent. as at the Latest Practicable Date. In addition, the Offeror has completed the acquisition of 7,704,500 WHB Shares on 2 April 2014. These 7,704,500 WHB Shares, together with the 48.23 per cent. of IU Shares and AIU Shares, represent approximately 50.73 per cent. of the issued share capital of WHB as at the Latest Practicable Date. Therefore, once each of the Undertaking Shareholders and Additional Undertaking Shareholders tenders its acceptance of the Share Offer in respect of all of its respective IU Shares or AIU Shares under the Irrevocable Undertakings and Additional Irrevocable Undertakings, the acceptance condition of the Share Offer set out at paragraph 4(a) of the Letter from BofAML and J.P. Morgan will have been met.
3. In order to accept the Offers, Qualifying WHB Shareholders and WHB Optionholders are required to submit the duly completed Forms of Acceptance to the Share Registrar on or before 4:00 p.m. (Hong Kong time) on Tuesday 29 July 2014, being the Offer Closing Date, unless the Offeror revises or extends the Offers in accordance with the Code. Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter.

   The Offeror reserves the right to extend the Offers. If the Offeror decides to extend the Offers, an announcement will be made specifying the next closing date or stating that the Offers will remain open until further notice, in which case at least 14 days' notice in writing will be given to those Qualifying WHB Shareholders and WHB Optionholders who have not yet accepted the Offers before the Offer Closing Date.

   Beneficial owners of WHB Shares who hold their WHB Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
4. The announcement of the results of the Offers will be jointly issued by OCBC, the Offeror and WHB and posted on the Stock Exchange's website by 7:00 p.m. on the Offer Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offers.
5. Remittances in respect of the WHB Shares and outstanding Awards tendered for acceptance and taken up by the Offeror (or, in the case of Awards, cancelled) under the Offers (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Share Registrar in respect of lost or unavailable WHB Share certificates) will be posted to the relevant Qualifying WHB Shareholders and WHB Optionholders by ordinary post at their own risk as soon as possible, but in any event within seven business days (as defined in the Code) following the later of (i) the Offer Unconditional Date and (ii) the date of receipt of a duly completed Form of Acceptance by the Share Registrar in respect of the Offers.

All references to times and dates contained in this Composite Document are to Hong Kong times and dates.

NOTICE TO U.S. QUALIFYING WHB SHAREHOLDERS AND WHB OPTIONHOLDERS

The Offers are being made for the securities of a Hong Kong company and are subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong, which are different from those of the United States. In addition, U.S. holders of WHB Shares and/or Awards should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offers are being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO. Accordingly, the Offers will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Offers by a U.S. holder of WHB Shares and/or Awards may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of WHB Shares and/or Awards is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offers.

The financial information of WHB included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. holders of WHB Shares and/or Awards to enforce their rights and claims arising out of the U.S. federal securities laws, since OCBC, the Offeror and WHB are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of OCBC, the Offeror and WHB are located outside the United States. U.S. holders of WHB Shares and/or Awards may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of WHB Shares and/or Awards to effect service of process within the United States upon OCBC, the Offeror or WHB or their respective officers or directors, to enforce against them a judgment of a U.S. court or them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, WHB Shares and/or Awards outside of the United States, other than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk/.

NOTICE TO OVERSEAS QUALIFYING WHB SHAREHOLDERS AND WHB OPTIONHOLDERS (OTHER THAN U.S. QUALIFYING WHB SHAREHOLDERS AND WHB OPTIONHOLDERS)

The Offers are in respect of a company incorporated and listed in Hong Kong and are therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of Qualifying WHB Shareholders and WHB Optionholders who are

citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offers may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Qualifying WHB Shareholder or WHB Optionholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Qualifying WHB Shareholder or WHB Optionholder in such relevant jurisdictions.

For further discussion, please refer to the section headed "Overseas Qualifying WHB Shareholders and WHB Optionholders" in the letter from BofAML and J.P. Morgan and Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

"acting in concert"	has the meaning ascribed thereto under the Code;
"Additional Irrevocable Undertakings"	means the irrevocable undertakings made by the Additional Undertaking Shareholders on 31 March 2014 to accept, or procure the acceptance of, the Share Offer in respect of all of their relevant AIU Shares;
"Additional Undertaking Shareholders"	means Shiu Tim Limited, Wu Jieh Yee Co. Ltd, Wu Po Kung, Lee Bernard Ming Tak, Lee Sui Kau Doreen, Lee Christina Sui Hang, Fung Yiu Tsai, Stanley Sui Chi Yuen, Frank John Wang and Ho Chi Wai Louis;
"Affiliates"	means, in relation to the Offeror, its subsidiaries from time to time and OCBC;
"AGM"	the annual general meeting of WHB held on 30 April 2014;
"AIU Shares"	means the total of 10,609,907 WHB Shares representing approximately 3.44 per cent. of the issued share capital of WHB as at the Latest Practicable Date held by the Additional Undertaking Shareholders;
"AMCM"	means the Monetary Authority of Macau;
"Announcement"	means the joint announcement issued by OCBC, the Offeror and WHB dated 1 April 2014;
"associate(s)"	has the meaning ascribed thereto under the Code;
"Awards"	means the 1,316,000 unvested share awards in respect of 1,316,000 WHB Shares granted by WHB pursuant to the Employee Incentive Plan;
"Banking Ordinance"	means the Banking Ordinance (Chapter 155 of the Laws of Hong Kong);
"Basel III"	means the new capital and liquidity requirements intended to strengthen existing capital standards and to establish minimum liquidity standards for banks which were initially proposed by the Basel Committee on Banking Supervision in December 2010;
"BNY"	means BNY International Financing Corporation, a substantial shareholder of WHB entitled to exercise control over 63,815,936 WHB Shares, representing its entire interest in WHB and 20.69 per cent. of the issued share capital of WHB as at the Latest Practicable Date;
"BofAML"	means Merrill Lynch (Asia Pacific) Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities),

	Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activities under the SFO, a financial adviser to OCBC and the Offeror in relation to the Offers;
"CCASS"	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"Code"	means the Hong Kong Code on Takeovers and Mergers;
"Companies Ordinance"	means the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
"Composite Document"	means this composite offer and response document in respect of the Offers jointly issued by OCBC, the Offeror and WHB in accordance with the Code, as may be revised or supplemented as appropriate;
"Compulsory Acquisition Entitlement Period"	means the earliest of (i) the date falling 4 months after the date of this Composite Document (or such later date as the SFC may permit for the requisite level of acceptances to be reached in order for the Offeror to undertake compulsory acquisition), (ii) the date falling 3 months after the end of the Offer Period and (iii) the date falling 6 months after the date of this Composite Document;
"Concert Parties"	means parties acting in concert with the Offeror, as determined in accordance with the Code;
"Conditions"	means the conditions to the Offers, as set out in the Letter from BofAML and J.P. Morgan;
"Conditions Long Stop Date"	means the date which is 60 calendar days after the posting of this Composite Document, unless the date has been extended by the Offeror with the consent of WHB;
"connected person"	has the meaning ascribed thereto under the Code;
"controlling shareholder"	has the meaning ascribed thereto under the Code;
"Despatch Date"	means the date of despatch of this Composite Document to the Qualifying WHB Shareholders as required by the Code;
"Disinterested WHB Shares"	means all WHB Shares other than those held by the Offeror and its Concert Parties;
"Employee(s)"	means all full-time employees of each WHB Group Company as at the Offer Unconditional Date and **"Employee"** means any of them;
"Employee Incentive Plan"	means the employee incentive plan adopted by WHB on 22 April 2004, and renewed on 30 April 2009;
"Employment Ordinance"	means the Employment Ordinance (Chapter 57 of the Laws of Hong Kong);

"Executive"	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"Final Dividend"	means the final dividend in respect of the financial year ended 31 December 2013 of HK$1.62 per WHB Share which was recommended by the WHB Board on 6 March 2014, approved by WHB Shareholders at the AGM and paid to WHB Shareholders on 19 May 2014;
"Forms of Acceptance"	means the White Form of Acceptance and transfer in respect of the Share Offer and the Pink Form of Acceptance and cancellation in respect of the Option Offer accompanying this Composite Document;
"Fung Family"	means collectively Fung Yuk Bun Patrick, Fung Yuk Sing Michael, Po Ding Company Limited, YKF Holding (PTC) Corporation, Majestic Investment Company Limited and Tessel Inc, who in aggregate are entitled to exercise control over 74,297,100 WHB Shares, representing their entire interest in WHB and 24.09 per cent. of the issued share capital of WHB as at the Latest Practicable Date;
"Goldman Sachs"	means Goldman Sachs (Asia) L.L.C., an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, a financial adviser to WHB in relation to the Offers;
"Greater China"	means the PRC, Hong Kong and Macau;
"HK$" or **"HKD"**	means Hong Kong dollars, the lawful currency of Hong Kong;
"HKMA"	means the Hong Kong Monetary Authority;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Auditor"	means KPMG, the WHB Group's external auditors;
"Independent Board Committee"	means the committee of all the independent non-executive WHB Directors (none of whom have any direct or indirect interest in the Offers, other than as a WHB Shareholder) which has been established for the purpose of making a recommendation to the Qualifying WHB Shareholders as to whether the Offers are fair and reasonable and as to acceptance, comprised of Dr Cheng Hon Kwan, Mr Lau Hon Chuen Ambrose, Mr Li Sze Kuen Billy and Mr Tse Hau Yin Aloysius;
"Independent Financial Adviser" or **"Somerley"**	means Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in respect of the Offers. Somerley

	is a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Indonesia"	means the Republic of Indonesia;
"Initial Announcement"	means the announcement issued by WHB pursuant to Rule 3.7 of the Code dated 16 September 2013;
"Irrevocable Undertakings"	means the irrevocable undertakings made by the Undertaking Shareholders on 31 March 2014 to accept, or procure the acceptance of, the Share Offer in respect of all of their relevant IU Shares;
"IU Shares"	means the total of 138,113,036 WHB Shares representing 44.79 per cent. of the issued share capital of WHB as at the Latest Practicable Date being the aggregate of (i) the 74,297,100 WHB Shares held by the Fung Family, representing its entire interest in WHB and 24.09 per cent. of the issued share capital of WHB as at the Latest Practicable Date; and (ii) the 63,815,936 WHB Shares held by BNY, representing its entire interest in WHB and 20.69 per cent. Of the issued share capital of WHB as at the Latest Practicable Date;
"J.P. Morgan"	means J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, a financial adviser to OCBC and the Offeror in relation to the Offers;
"KPMG Corporate Finance"	means KPMG Corporate Finance Limited, an institution licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, a financial adviser to WHB in relation to the Offers;
"Last Trading Date"	means 28 March 2014, being the last trading day prior to the publication of the Announcement;
"Latest Practicable Date"	means 27 June 2014, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein;
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Long Stop Date"	means the date falling six months after the date of the Announcement, or such later date as OCBC, WHB, the Fung Family and BNY may agree in writing;
"Macau"	means the Macau Special Administrative Region of the People's Republic of China;

"Macau Financial System Act"	means Decree-Law 32/93/M of the laws of Macau;
"Malaysia"	means Malaysia;
"MAS"	means the Monetary Authority of Singapore;
"Nomura"	means Nomura International (Hong Kong) Limited, an institution licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, a financial adviser to WHB in relation to the Offers;
"OCBC"	means Oversea-Chinese Banking Corporation Limited, a limited company incorporated in Singapore (Company Registration No.: 193200032W) and listed on the Singapore Stock Exchange;
"OCBC China"	means OCBC Bank (China) Ltd, a limited company incorporated in the PRC and a wholly owned subsidiary of OCBC;
"OCBC Group"	means OCBC and its subsidiaries;
"OCBC Shareholders"	means persons who are registered as holders of OCBC Shares in the register of members of OCBC and Depositors (as defined in the Companies Act of Singapore) who have OCBC Shares deposited against their names in the Depository Register (as defined in the Companies Act of Singapore);
"**OCBC Shares**"	means the ordinary shares in the capital of OCBC;
"Offer Closing Date"	means the first closing date of the Share Offer as set out in the section headed "Expected Timetable" in this Composite Document, or such later date as may be extended by the Offeror in accordance with the Code;
"Offer Date"	means the date of this Composite Document on which the Offers are made;
"Offer Period"	means the period beginning 16 September 2013, being the date of the Initial Announcement, until 4:00 p.m. (Hong Kong time) on the Offer Closing Date;
"Offer Price"	means HK$125 per WHB Share accepted under the Share Offer and HK$124 per Award cancelled under the Option Offer;
"Offer Unconditional Date"	means the date on which the Share Offer becomes or is declared unconditional in all respects;
"Offeror"	means OCBC Pearl Limited, a public limited company incorporated in Singapore (Company Registration No.: 195900017D) and a wholly owned subsidiary of OCBC;

"Offers"	means both the Share Offer and the Option Offer and "**Offer**" means either of them;
"Option Offer"	means the conditional voluntary general cash offer by BofAML and J.P. Morgan on behalf of the Offeror to cancel all outstanding Awards in accordance with the terms and conditions set out in the Announcement, and any subsequent revision or extension of such offer;
"Options"	means the 460,000 outstanding share options as at the date of the Announcement in respect of 460,000 WHB Shares granted by WHB pursuant to the Share Option Scheme, which have, as at the date of this Composite Document, been exercised;
"PRC"	means the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau and Taiwan;
"Pre-Conditions"	means each of the pre-conditions to the making of the Offers, as set out under the section headed "Pre-Conditions to the Offers" in Part A of the Announcement;
"Qualifying WHB Shareholders"	means WHB Shareholders other than the Offeror;
"Register"	means the register of members of WHB;
"Relevant Authorities"	means appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions;
"Relevant Period"	the period commencing from 16 March 2013, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date;
"RMB"	means Renminbi, the lawful currency of the PRC;
"Selling Shareholder"	means Aberdeen Asset Management Asia Limited;
"SFC"	means the Securities and Futures Commission of Hong Kong;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Offer"	means the conditional voluntary general cash offer by BofAML and J.P. Morgan on behalf of the Offeror to the Qualifying WHB Shareholders to acquire the entire issued share capital of WHB at the Offer Price in accordance with the terms and conditions set out in this Composite Document and any subsequent revision or extension of such offer;
"Share Option Scheme"	means the share option scheme adopted by WHB on 24 April, 2003, as amended from time to time;

"Share Registrar" or "Computershare"	means Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the share registrar and transfer office of WHB;
"Singapore"	means the Republic of Singapore;
"Singapore Stock Exchange"	means Singapore Exchange Limited;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it in the Listing Rules;
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules;
"Taiwan"	means the Republic of China;
"UBS"	means UBS AG, acting through its Hong Kong branch, a registered institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, a financial adviser to WHB in relation to the Offers
"Undertaking Shareholders"	means BNY and the Fung Family;
"U.S." or "United States"	means the United States of America;
"U.S.D"	means United States dollars, the lawful currency of the U.S.;
"WHB"	means Wing Hang Bank, Limited (永亨銀行有限公司), a Hong Kong-incorporated limited liability company listed on the Main Board of the Stock Exchange with Stock Code 302;
"WHB ADSs"	the American depositary shares evidencing the American depositary receipts issued under the deposit agreement entered into in 1993 by and among WHB, The Bank of New York Mellon (formerly The Bank of New York), as depositary, and owners and holders of such American depositary receipts;
"WHB Board"	means the board of WHB Directors;
"WHB China"	means Wing Hang Bank (China) Limited, a company incorporated in the PRC;
"WHB Directors"	means the directors of WHB from time to time;
"WHB Group" or **"WHB Group Companies"**	means WHB and its subsidiaries from time to time and **"WHB Group Company"** means any of them;
"WHB Optionholders"	means the holders of the Awards from time to time;

"WHB Shareholders"	means registered holders of WHB Shares from time to time; and
"WHB Shares"	means the ordinary shares of WHB.

BofA Merrill Lynch

J.P. Morgan

Merrill Lynch (Asia Pacific) Limited
55th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28 Floor, Chater House,
8 Connaught Road Central, Central
Hong Kong

30 June 2014

To the Qualifying WHB Shareholders and WHB Optionholders

Dear Sir or Madam,

1. INTRODUCTION

We are the joint financial advisers to OCBC and the Offeror.

On 1 April 2014, OCBC, the Offeror and WHB jointly announced that BofAML, on behalf of the Offeror, firmly intends, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer (i) to acquire all of the issued WHB Shares held by Qualifying WHB Shareholders at an offer price in cash of HK$125 per WHB Share (the Share Offer) and (ii) to cancel all outstanding Options and all unvested Awards (the Option Offer).

On 3 April 2014, WHB announced that all 460,000 outstanding Options in respect of 460,000 WHB Shares and 248,000 vested Awards in respect of 248,000 WHB Shares had been exercised into new WHB Shares and that there were no more outstanding Options. On 26 May 2014, WHB announced that 247,500 vested Awards in respect of 247,500 WHB Shares had been exercised into new WHB Shares and that there were 1,316,000 unvested Awards. Accordingly, the Option Offer will be made only to the WHB Optionholders in respect of the outstanding 1,316,000 Awards, all of which would automatically vest upon the Share Offer becoming wholly unconditional.

On 8 April 2014, J.P. Morgan became a joint financial adviser to OCBC and the Offeror.

On 27 June 2014, OCBC, the Offeror and WHB jointly announced that the Pre-Conditions have been satisfied.

This letter forms part of this Composite Document and sets out certain background information of OCBC and the Offeror, the reasons for making the Offers and the intentions of the Offeror in relation to WHB. The terms of the Offers are set out in this letter, Appendix I to this Composite Document and in the accompanying Forms of Acceptance.

Your attention is also drawn to the letter from the WHB Board on pages 23 to 28, the letter from the Independent Board Committee on pages 29 to 30 and the letter from the Independent Financial Adviser on pages 31 to 53 of this Composite Document.

2. PRE-CONDITIONS TO THE OFFERS

The making of the Offers was subject to the satisfaction or waiver of the Pre-Conditions. On 27 June 2014, OCBC, the Offeror and WHB jointly announced that:

(a) the HKMA had granted the approval for each of the Offeror and OCBC to become a majority shareholder controller (as such term is defined in the Banking Ordinance) of WHB, Wing Hang Finance Company Limited and Inchroy Credit Corporation Limited under section 70 of the Banking Ordinance;

(b) the MAS had granted the approval for each of the Offeror and OCBC to acquire a major stake (as such term is defined in the Banking Act of Singapore) in WHB as required under section 32(1) of the Banking Act of Singapore;

(c) the SFC had granted the approval for each of the Offeror and OCBC to become a substantial shareholder (as such term is defined in the SFO) of each of Wing Hang Shares Brokerage Co. Limited, Honfirst Investment Limited and Chekiang First Securities Co. Limited under section 132 of the SFO. As WHB is a registered institution under the SFO, approval from the SFC for the Offeror and OCBC to become a substantial shareholder of WHB is not required;

(d) the Insurance Authority of Hong Kong had confirmed that its approval is not required for each of the Offeror and OCBC to become a controller (as such expression is defined under the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong)) of Hong Kong Life Insurance Limited;

(e) the Mandatory Provident Fund Schemes Authority had granted the approval for each of the Offeror and OCBC to become a controller (as such expression is defined under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)) of Bank Consortium Trust Company Limited; and

(f) the AMCM had granted the approval to the Offeror and OCBC to acquire a qualifying holding (as such expression is defined under the Macau Financial System Act) of Banco Weng Hang, S.A..

Accordingly, as at the date of this Composite Document, all the Pre-Conditions have been satisfied.

3. THE OFFERS

The Share Offer

For each WHB Share . . . . . HK$125 in cash

The Share Offer will be extended to all Qualifying WHB Shareholders in accordance with the Code. The WHB Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 1 April 2014 being the date of the Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014 being the date of the Announcement, but excluding the Final Dividend.

The Option Offer

BofAML and J.P. Morgan, on behalf of the Offeror, are making an appropriate offer to the WHB Optionholders in accordance with Rule 13 of the Code to cancel all outstanding Awards in exchange for cash on the following basis:

In respect of Awards with an acquisition price of HK$1.00:

For cancellation of each such Award . . . . . HK$124 in cash

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional.

The WHB Board has undertaken to OCBC and the Offeror that it will not exercise its discretion under the Employee Incentive Plan to determine that any Awards granted under the Employee Incentive Plan should continue to vest in accordance with the terms of the Employee Incentive Plan even after the Offers are declared or have become unconditional as to acceptances.

4. CONDITIONS TO THE OFFERS

The Share Offer is subject to the fulfilment of the following Conditions:

(a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. (Hong Kong time) on or prior to the Offer Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of WHB Shares which, together with WHB Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the Concert Parties holding more than 50 per cent. of the voting rights in WHB;

(b) the WHB Shares remaining listed and traded on the Stock Exchange up to the Offer Closing Date (or, if earlier, the Offer Unconditional Date) save for any temporary suspension(s) or halt(s) of trading in the Shares and no indication being received on or before the Offer Closing Date from the SFC and/or the Stock Exchange to the effect that the listing of the WHB Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror or its Concert Parties;

(c) no event having occurred which would make the Offers or the acquisition of any of the WHB Shares void, unenforceable, illegal or prohibit implementation of the Offers;

(d) no Relevant Authorities in any jurisdiction having (i) taken or instituted any action, proceeding, suit, investigation or enquiry, or (ii) enacted, or shall enact within 3 months from the Offer Closing Date, and there not continuing to be outstanding, any statute, regulation, demand or order, in each case that would make the Offers or acquisition of the WHB Shares void, unenforceable or illegal; and

(e) save for payment of the interim dividend for the year 2013 paid by WHB on 9 October 2013 and the Final Dividend paid on 19 May 2014 (as approved by the WHB Shareholders), no dividend or other distribution (whether in cash or in kind) during the Offer Period having been declared, made or paid by WHB to the WHB Shareholders.

The Offeror reserves the right to waive all or any of the Conditions to the Share Offer set out above, either in whole or in part, either generally or in respect of any particular matter, except for Condition (a) which may not be waived. If any of the Conditions are not satisfied or waived (as applicable) on or before the Conditions Long Stop Date, the Share Offer will lapse.

Pursuant to Note 2 to Rule 30.1 of the Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Share Offer if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Share Offer.

In addition to the Conditions set out above, the Offers are made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the WHB Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 1 April 2014 being the date of the Announcement or subsequently becoming attached to them, including the

right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014 being the date of the Announcement, but excluding the Final Dividend.

The Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. The Offers will be made in compliance with the Code, which is administrated by the Executive.

The Offeror reserves the right to revise the terms of the Offers in accordance with the Code.

WARNING: Completion of the Offers is subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the issue of this Composite Document does not in any way imply that the Offers will be completed. The transactions contemplated by the Offers may or may not proceed. WHB Shareholders, OCBC Shareholders, WHB Optionholders and potential investors should therefore exercise caution when dealing in the securities in WHB or OCBC. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

Irrevocable undertakings

As at the date of this Composite Document, the Offeror has received irrevocable undertakings from each of the Undertaking Shareholders to tender, or procure the tender of, all of the IU Shares being the 138,113,036 WHB Shares owned by them (such shares representing approximately 44.79 per cent. of the issued share capital of WHB as at the Latest Practicable Date). Further information on the principal terms of the Irrevocable Undertakings is set out below on page 21.

As at the date of this Composite Document, the Offeror has also received irrevocable undertakings from each of the Additional Undertaking Shareholders to tender, or procure the tender of, all of the AIU Shares being the 10,609,907 WHB Shares owned by them (such shares representing approximately 3.44 per cent. of the issued share capital of WHB as at the Latest Practicable Date). Further information on the Additional Irrevocable Undertakings is set out below.

As at the date of this Composite Document, apart from the Irrevocable Undertakings and Additional Irrevocable Undertakings, the Offeror and its Concert Parties have not received any indication or irrevocable commitment from any WHB Shareholder to accept or reject the Share Offer or the Option Offer.

5. VALUE OF THE OFFERS

The Offer Price of HK$125 per WHB Share under the Share Offer represents:

(a) a premium of approximately 49 per cent. over the closing price of HK$83.80 per WHB Share as quoted on the Stock Exchange on 16 September 2013, being the last trading date prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(b) a premium of approximately 51 per cent. over the average closing price of HK$82.65 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(c) a premium of approximately 59 per cent. over the average closing price of HK$78.53 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 30 trading days

immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(d) a premium of approximately 67 per cent. over the average closing price of HK$74.70 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(e) a premium of approximately 8 per cent. over the average closing price of HK$115.80 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;

(f) a premium of approximately 2 per cent. over the closing price of HK$123.00 per WHB Share as quoted on the Stock Exchange on the Last Trading Date; and

(g) a premium of approximately 0.5 per cent. over the closing price of HK$124.40 per WHB Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Highest and lowest closing prices of WHB Shares

During the Relevant Period, the highest closing price of WHB Shares as quoted on the Stock Exchange was HK$125 per WHB Share on 2 May 2014, and the lowest closing price of WHB Shares as quoted on the Stock Exchange was HK$68.30 per WHB Share on 25 June 2013 and 8 July 2013.

Total consideration under the Offers

As at the Latest Practicable Date, there were 308,380,222 WHB Shares in issue. On the basis of the Offer Price of HK$125 per WHB Share, the Share Offer is valued at approximately HK$37,584 million. On 2 April 2014, the Offeror completed the acquisition of 7,704,500 WHB Shares from the Selling Shareholder representing approximately 2.50 per cent. of the issued share capital of WHB as at the Latest Practicable Date at an aggregate sale price of approximately HK$976 million based on a sale price of HK$126.62 per WHB Share (representing the Offer Price of HK$125 per WHB Share plus the Final Dividend of HK$1.62 per WHB Share). Accordingly, the value of the Share Offer, together with the total sale price paid to the Selling Shareholder, is approximately HK$38,560 million in aggregate.

As at the Latest Practicable Date, there were a total of 1,316,000 outstanding Awards in respect of 1,316,000 WHB Shares entitling the WHB Optionholders to subscribe for an aggregate of 1,316,000 WHB Shares. Vested Awards are exercisable with an acquisition price of HK$1.00. On 3 April 2014, WHB announced that all of the outstanding 460,000 Options as described in the Announcement and 248,000 vested Awards were exercised by the relevant WHB Optionholders into new WHB Shares, and that there were no more outstanding Options. On 26 May 2014, WHB announced that 247,500 vested Awards had been exercised into new WHB Shares and that there were 1,316,000 unvested Awards outstanding. As a consequence, assuming that no Awards are exercised prior to the Offer Closing Date, the projected total consideration required to satisfy the cancellation of all outstanding Awards is now approximately HK$163 million.

Based on the above and assuming no Awards are exercised before the Offer Closing Date, the Offers are valued at (i) approximately HK$37,748 million assuming valid acceptances of the Share Offer are received in respect of all WHB Shares; and (ii) approximately HK$18,874 million assuming valid acceptances of the Share Offer are received in respect of 50 per cent. of the WHB Shares.

In the event that all outstanding Awards are exercised prior to the Offer Closing Date, WHB will have to issue 1,316,000 new WHB Shares, representing approximately 0.42 per cent. of the enlarged issued share capital

of WHB. Assuming that the Share Offer is accepted in full (including all WHB Shares issued and allotted as a result of the exercise of the Awards), the maximum value of the Share Offer will be increased to approximately HK$37,749 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer and WHB shall receive an aggregate subscription price of approximately HK$1 million arising from the exercise of all of the Awards.

Confirmation of financial resources

Assuming that the Share Offer is accepted in full (including all WHB Shares issued and allotted as a result of the exercise of all of the Awards), the financial resources required by the Offeror to satisfy the consideration payable under the Offers will amount to approximately HK$37,749 million.

Assuming that no Awards are exercised before the Offer Closing Date and that the Offers are accepted in full, the financial resources required by the Offeror in order to satisfy the consideration payable under the Offers will amount to approximately HK$37,748 million.

The funds required by the Offeror to satisfy the consideration payable under the Offers will be financed from its own internal cash and cash-equivalent resources and/or a committed loan facility arranged by Bank of America, N.A., The Hongkong and Shanghai Banking Corporation Limited and JPMorgan Chase Bank, N.A. to OCBC. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the WHB Group. BofAML, a financial adviser to the Offeror as at the date of the Announcement, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

6. INFORMATION ON OCBC AND THE OFFEROR

OCBC is a limited company incorporated in Singapore and listed on the Singapore Stock Exchange. It is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is one of the world's most highly-rated banks, with a credit rating of Aa1 from Moody's Investors Services. It was named "World's Strongest Bank" by 'Bloomberg Markets' in 2011 and 2012, second in 2013 and fourth in 2014. In 2013, it was named "Best Bank in Singapore" by 'Global Finance'.

OCBC and its subsidiaries offer a broad array of specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of more than 460 branches and representative offices in 17 countries and territories (including Hong Kong). This includes 56 branches in Singapore, 41 branches in Malaysia, 339 branches and offices in Indonesia, and 16 branches and sub-branches across 9 cities in China.

The Offeror is a wholly owned subsidiary of OCBC.

7. OFFEROR'S REASONS FOR THE OFFERS

The Offeror and OCBC believe that successful completion of the Offers would enable the enlarged OCBC Group to:

(a) Strategically position itself to capture growing trade, investment, capital and wealth flows between North and South East Asia

OCBC's banking franchise is currently focused around Singapore, Malaysia and Indonesia with 16 branches and sub-branches in the PRC and one in Hong Kong, whereas WHB's banking franchise is focused around Greater China comprising 42 branches in Hong Kong, 15 branches and sub-branches in the PRC and 13 branches in Macau. The acquisition of WHB would therefore significantly increase the OCBC Group's coverage in Greater China to a total of 87 branches and sub-branches, giving OCBC an expanded presence in the PRC and Hong Kong in addition to providing it with a new platform in Macau. The enlarged network across Greater China will put the enlarged OCBC Group in a position to capitalise on increasing trade, investment, capital and wealth flows between Greater China and South East Asia.

(b) Deepen and widen its product capabilities in key areas including RMB business, U.S.D and HKD products, small and medium enterprises ("SME") and speciality finance

Given the liquidity and funding requirements under Basel III, customer deposits will increasingly become an important source of stable, long-term funding for banks. Hong Kong was the largest centre of RMB deposits in 2013 outside of the PRC (according to statistics published by the HKMA). OCBC believes that WHB's branch network in Hong Kong and Macau and the combined network of branches of OCBC China and WHB China in the PRC will provide the enlarged OCBC Group with an opportunity to attain a larger RMB funding base to support stronger growth in RMB loans. OCBC also believes that the successful completion of the Offers will provide the enlarged OCBC Group with new opportunities in a range of RMB-denominated businesses, including RMB-denominated trade finance, loans, bond underwriting, retail investment services, wealth management and treasury services.

The successful completion of the Offers would also provide the enlarged OCBC Group with the opportunity to access a significant U.S.D and HKD funding base in Hong Kong, which in turn would support the development and growth of U.S.D and HKD loans and products. OCBC also believes that WHB's expertise in secured and unsecured SME lending, in addition to its well-established auto and equipment financing platform in Hong Kong, will diversify the asset base and broaden the product expertise of the enlarged OCBC Group. OCBC also considers that WHB's SME customer base in Greater China will complement OCBC's customer base in Greater China which is currently more focused on corporate banking.

(c) Create an enhanced franchise with the complementary strengths of both OCBC and WHB

OCBC believes that the acquisition of WHB will provide benefits to customers via an enlarged distribution and geographical network which will support the growth and increased internationalisation needs of those customers. OCBC also believes that it will be able to create value by leveraging the complementary strengths of OCBC and WHB for the benefit of both OCBC and WHB. For example, OCBC considers that it will be able to use its strong wealth management and bancassurance platform to bring new business opportunities to WHB's franchise in Greater China whilst OCBC will be able to benefit from new business opportunities provided by WHB's SME customer base in Greater China.

Intentions of the Offeror with regard to WHB

The Offeror and OCBC are committed to the stability of WHB's business and operations after closing of the Offers. After closing of the Offers, the Offeror and OCBC will further review the businesses of WHB, and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of WHB, to integrate the same within the OCBC Group and to comply with any applicable laws and regulations. Save as aforesaid, there are no immediate plans to redeploy any of WHB's fixed assets, or to make material changes to any of the WHB businesses (including disposing of, scaling down or terminating such businesses or acquiring or injecting new assets into WHB).

OCBC has undertaken to WHB that for a period of 18 months from the Offer Closing Date, that it will not (and shall procure that its Affiliates will not) (i) terminate the employment of any Employee save where WHB, OCBC or the Offeror makes an offer of alternative employment to such Employee on no less favourable terms and conditions than those which the relevant Employee enjoys immediately prior to the Offer Closing Date; or (ii) in any material respect, detrimentally modify the terms of employment of any Employee (including reducing the amount of compensation received by the Employee immediately prior to the Offer Closing Date), subject to certain exceptions.

8. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If the Offeror acquires not less than 90 per cent. of the Disinterested WHB Shares within the Compulsory Acquisition Entitlement Period then it intends to exercise the right under the Companies Ordinance and pursuant to Rule 2.11 of the Code to compulsorily acquire all those WHB Shares not acquired by the Offeror under the Share Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is exercised), WHB will become a wholly owned subsidiary of OCBC and an application will be made for the withdrawal of the listing of WHB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and, in addition, the deposit agreement governing the WHB ADSs will be terminated pursuant to the terms thereof.

Pursuant to Rule 15.6 of the Code, the Offers may not remain open for acceptance for more than four months from the Despatch Date, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

9. MAINTAINING THE LISTING

If the Offeror does not become entitled to exercise such powers of compulsory acquisition set out above in the section headed "Compulsory Acquisition and Withdrawal of Listing" of this letter (whether by reason of not acquiring 90 per cent. of the Disinterested WHB Shares or otherwise), the Offeror intends WHB to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the WHB Board jointly and severally undertook to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the WHB Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to WHB, being 25 per cent. of the issued WHB Shares, is held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of WHB Shares or (ii) there are insufficient WHB Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in WHB Shares. In this connection, it should be noted that, upon the closing of the Offers, there may be insufficient public float for the WHB Shares and therefore trading in the WHB Shares may be suspended until a prescribed level of public float is attained.

10. GENERAL MATTERS RELATING TO THE OFFERS

Effect of accepting the Share Offer

By validly accepting the Share Offer, Qualifying WHB Shareholders will sell to the Offeror their tendered WHB Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 1 April 2014 being the date of the Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014 being the date of the Announcement, but excluding the Final Dividend.

In addition to the Conditions set out above, the Offers are made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the WHB Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 1 April 2014 being the date of the Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014 being the date of the Announcement.

Hong Kong stamp duty and taxation

Please see Appendix I to this Composite Document for information regarding Hong Kong stamp duty and taxation.

Overseas Qualifying WHB Shareholders and WHB Optionholders

If you are an overseas WHB Shareholder or WHB Optionholder, please see the important information in the section headed "Overseas Qualifying WHB Shareholders and WHB Optionholders" in Appendix I to this Composite Document.

Form of Acceptance and Settlement

Information regarding the acceptance of the Offers and settlement of consideration is set out in Appendix I to this Composite Document.

Interests in WHB Shares, Options, Awards and derivatives

On 2 April 2014, the Offeror completed the acquisition of 7,704,500 WHB Shares from the Selling Shareholder, representing approximately 2.50 per cent. of the issued share capital of WHB as at the Latest Practicable Date at a sale price of HK$126.62 per WHB Share (representing the Offer Price of HK$125 per WHB Share plus the Final Dividend of HK$1.62 per WHB Share).

Such WHB Shares, together with the Irrevocable Undertakings (in respect of the IU Shares) and the Additional Irrevocable Undertakings (in respect of the AIU Shares), represent approximately 50.73 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

Save for the above, as at the Latest Practicable Date:

(i) there is no existing holding of voting rights and rights over WHB Shares which the Offeror owns or over which it has control or direction;

(ii) there is no existing holding of voting rights and rights over WHB Shares which is owned or controlled or directed by the Offeror or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers);

(iii) there is no existing holding of voting rights and rights over WHB Shares in respect of which the Offeror or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) holds convertible securities, warrants or options (including any Awards);

(iv) there is no outstanding derivative in respect of securities in WHB entered into by the Offeror or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers);

(v) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the WHB Shares and which might be material to the Offers;

(vi) there is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Pre-Condition or a Condition; and

(vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Code) in WHB which the Offeror or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) has borrowed or lent save for any borrowed WHB Shares which have either been on-lent or sold.

Principal Terms of the Irrevocable Undertakings

The principal terms of the Irrevocable Undertakings and Additional Irrevocable Undertakings are as follows:

Date: 31 March 2014.

Parties to Irrevocable Undertakings: (1) the Offeror; (2) BofAML; (3) each of the Undertaking Shareholders.

Parties to Additional Irrevocable Undertakings: (1) the Offeror; (2) BofAML; (3) each of the Additional Undertaking Shareholders.

Irrevocable undertaking to accept the Share Offer:

On 31 March 2014, the Undertaking Shareholders each entered into the Irrevocable Undertakings with the Offeror and BofAML, under which, among other things, the Undertaking Shareholders have agreed to accept, or procure the acceptance of, the Share Offer in respect of all of the IU Shares owned by that Undertaking Shareholder. The IU Shares together equal 138,113,036 WHB Shares representing approximately 44.79 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

On 31 March 2014, each of the Additional Undertaking Shareholders entered into the Additional Irrevocable Undertakings with the Offeror and BofAML, under which, among other things, the Additional Undertaking Shareholders have agreed to accept, or procure the acceptance of, the Share Offer in respect of all of the AIU Shares owned by that Additional Undertaking Shareholder. The AIU Shares together equal 10,609,907 WHB Shares representing approximately 3.44 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

The IU Shares and the AIU Shares together represent approximately 48.23 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

Consideration:

Each of the Undertaking Shareholders and the Additional Undertaking Shareholders have irrevocably undertaken to the Offeror and to BofAML to accept the Share Offer in respect of its respective IU Shares or AIU Shares at the Offer Price.

No withdrawal:

Each of the Undertaking Shareholders and the Additional Undertaking Shareholders have irrevocably undertaken that it will not, prior to the earlier of the closing or lapsing of the Offers, withdraw any acceptance of the Share Offer in respect of its respective IU Shares or AIU Shares and will, where applicable, procure that no rights to withdraw any such acceptance are exercised.

Negative pledge:

Each of the Undertaking Shareholders and the Additional Undertaking Shareholders have irrevocably undertaken to the Offeror and to BofAML that it will not, prior to the earlier of the closing or lapsing of the Offers, sell, transfer, or encumber in any way any of its respective IU Shares or AIU Shares or accept any other offer in respect of any IU Shares or AIU Shares.

11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the WHB Board on pages 23 to 28, the letter from the Independent Board Committee on pages 29 to 30 and the letter from the Independent Financial Adviser on pages 31 to 53 of this Composite Document in relation to their respective recommendations and advice with respect to the Share Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,

For and on behalf of
Merrill Lynch (Asia Pacific) Limited

Stephen Gore
Managing Director

For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited

David PW Lau
Managing Director



WING HANG BANK, LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 302)

Executive Directors:
Dr FUNG Yuk Bun Patrick JP (Chairman & Chief Executive)
Mr Frank John WANG (Deputy Chief Executive)
Mr FUNG Yuk Sing Michael

Non-executive Directors:
Mr HO Chi Wai Louis
Mr Stephen Dubois LACKEY
Mr Brian Gerard ROGAN

Independent Non-executive Directors:
Dr CHENG Hon Kwan GBS, JP
Mr LAU Hon Chuen Ambrose GBS, JP
Mr LI Sze Kuen Billy
Mr TSE Hau Yin Aloysius

Registered Office:
161 Queen's Road Central
Hong Kong

30 June 2014

To the Qualifying WHB Shareholders and WHB Optionholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY MERRILL LYNCH (ASIA PACIFIC) LIMITED AND J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED WING HANG BANK, LIMITED SHARES HELD BY QUALIFYING WING HANG BANK, LIMITED SHAREHOLDERS AND TO CANCEL ALL THE OUTSTANDING AWARDS OF WING HANG BANK, LIMITED

1. INTRODUCTION

On 1 April 2014, OCBC, the Offeror and WHB jointly announced that BofAML, on behalf of the Offeror, firmly intends, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer (i) to acquire all of the issued WHB Shares held by Qualifying WHB Shareholders at an offer price in cash of HK$125 per WHB Share and (ii) to cancel all outstanding Options and unvested Awards.

On 3 April 2014, WHB announced that all 460,000 outstanding Options in respect of 460,000 WHB Shares and 248,000 vested Awards in respect of 248,000 WHB Shares had been exercised into new WHB Shares and that there were no more outstanding Options. On 26 May 2014, WHB announced that 247,500 vested Awards in respect of 247,500 WHB Shares had been exercised into new WHB Shares and that there were 1,316,000 unvested

Awards outstanding. Accordingly, the Option Offer will be made only to the WHB Optionholders in respect of the outstanding 1,316,000 Awards, all of which would automatically vest upon the Share Offer becoming wholly unconditional.

On 8 April 2014, J.P. Morgan became a joint financial adviser to OCBC and the Offeror.

On 27 June 2014, OCBC, the Offeror and WHB jointly announced that the Pre-Conditions have been satisfied.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the WHB Group, OCBC, the Offeror and the Offers, (ii) the letter from BofAML and J.P. Morgan containing details of the Offers; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Qualifying WHB Shareholders and WHB Optionholders in respect of the Offers and acceptance of the Offers; and (iv) the letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned and as to acceptance in respect of the Offers.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rules 2.1 and 2.8 of the Code, the Independent Board Committee comprising all the non-executive WHB Directors who have no direct or indirect interest in the Offers, other than as a WHB Shareholder, namely, Dr Cheng Hon Kwan, Mr Lau Hon Chuen Ambrose, Mr Li Sze Kuen Billy and Mr Tse Hau Yin Aloysius, was established for the purpose of making a recommendation to the Qualifying WHB Shareholders and WHB Optionholders as to whether the Offers are fair and reasonable and as to acceptance.

The Independent Board Committee excludes all non-executive WHB Directors who are connected to the Fung Family or BNY. Accordingly, the Independent Board Committee excludes Mr Ho Chi Wai Louis, who is connected to the Fung Family as he is the brother-in-law of Dr Fung Yuk Bun Patrick and Mr Fung Yuk Sing Michael, and also excludes Mr Stephen Dubois Lackey and Mr Brian Gerard Rogan, who are both employees of the direct parent company of BNY.

Somerley Capital Limited has, with the approval of the Independent Board Committee, been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Qualifying WHB Shareholders and WHB Optionholders as to whether the Offers are fair and reasonable and as to acceptance.

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Offers (including the Offer Price) to be fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned, and accordingly, it recommends the Independent Board Committee to advise the Qualifying WHB Shareholders and WHB Optionholders to accept the Offers, as applicable.

The Independent Board Committee, having been so advised, considers the terms of the Offers (including the Offer Price) to be fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned, and accordingly, recommends the Qualifying WHB Shareholders and WHB Optionholders to accept the Offers, as applicable.

The full text of the letter from the Independent Board Committee addressed to the Qualifying WHB Shareholders and WHB Optionholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in the Composite Document. You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Offers.

3. THE OFFERS

3.1 The Share Offer

BofAML and J.P. Morgan, on behalf of the Offeror, are making a voluntary general offer to acquire all of the issued WHB Shares held by Qualifying WHB Shareholders on the following basis:

For each WHB Share . . . . . HK$125 in cash

Comparisons of value

The Offer Price of HK$125 per WHB Share under the Share Offer represents:

(a) a premium of approximately 49 per cent. over the closing price of HK$83.80 per WHB Share as quoted on the Stock Exchange on 16 September 2013, being the last trading date prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(b) a premium of approximately 51 per cent. over the average closing price of HK$82.65 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(c) a premium of approximately 59 per cent. over the average closing price of HK$78.53 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(d) a premium of approximately 67 per cent. over the average closing price of HK$74.70 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to the announcement on 16 September 2013 issued by WHB in response to media reports regarding a possible disposal of interests in WHB;

(e) a premium of approximately 8 per cent. over the average closing price of HK$115.80 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;

(f) a premium of approximately 2 per cent. over the closing price of HK$123.00 per WHB Share as quoted on the Stock Exchange on the Last Trading Date; and

(g) a premium of approximately 0.5 per cent. over the closing price of HK$124.40 per WHB Share as quoted on the Stock Exchange on the Latest Practicable Date.

Please refer to the section headed "Market Prices" in Appendix III to this Composite Document for further information on the market prices of the WHB Shares.

Highest and lowest closing WHB Share prices

During the Relevant Period, the highest closing price of WHB Shares as quoted on the Stock Exchange was HK$125.00 per WHB Share on 2 May 2014, and the lowest closing price of WHB Shares as quoted on the Stock Exchange was HK$68.30 per WHB Share on 25 June 2013 and 8 July 2013.

3.2 The Option Offer

BofAML and J.P. Morgan, on behalf of the Offeror, are making an appropriate offer to the WHB Optionholders in accordance with Rule 13 of the Code to cancel all outstanding Awards in exchange for cash, on the following basis:

For cancellation of each Award with an acquisition price of HK$1.00 . . . . . HK$124 in cash

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional.

3.3 Total consideration under the Offers

As at the Latest Practicable Date, there were 308,380,222 WHB Shares in issue. On the basis of the Offer Price of HK$125 per WHB Share, the Share Offer is valued at approximately HK$37,584 million. On 2 April 2014, the Offeror completed the acquisition of 7,704,500 WHB Shares from the Selling Shareholder representing approximately 2.50 per cent. of the issued share capital of WHB as at the Latest Practicable Date at an aggregate sale price of approximately HK$976 million based on a sale price of HK$126.62 per WHB Share (representing the Offer Price of HK$125 per WHB Share plus the Final Dividend of HK$1.62 per WHB Share). Accordingly, the value of the Share Offer, together with the total sale price paid to the Selling Shareholder, is approximately HK$38,560 million in aggregate.

As at the Latest Practicable Date, there were a total of 1,316,000 outstanding Awards in respect of 1,316,000 WHB Shares entitling the WHB Optionholders to subscribe for an aggregate of 1,316,000 WHB Shares. Vested Awards are exercisable with an acquisition price of HK$1.00. On 3 April 2014, WHB announced that all of the outstanding 460,000 Options as described in the Announcement and 248,000 vested Awards were exercised by the relevant WHB Optionholders into new WHB Shares, and that there were no more outstanding Options. On 26 May 2014, WHB announced that 247,500 vested Awards had been exercised into new WHB Shares and that there were 1,316,000 unvested Awards outstanding. As a consequence, assuming that no Awards are exercised prior to the Offer Closing Date, the projected total consideration required to satisfy the cancellation of all outstanding Awards is now approximately HK$163 million.

Based on the above and assuming no Awards are exercised before the Offer Closing Date, the Offers are valued at (i) approximately HK$37,748 million assuming valid acceptances of the Share Offer are received in respect of all WHB Shares; and (ii) approximately HK$18,874 million assuming valid acceptances of the Share Offer are received in respect of 50 per cent. of the WHB Shares.

In the event that all outstanding Awards are exercised prior to the Offer Closing Date, WHB will have to issue 1,316,000 new WHB Shares, representing approximately 0.42 per cent. of the enlarged issued share capital of WHB. Assuming that the Share Offer is accepted in full (including all WHB Shares issued and allotted as a result of the exercise of the vested Awards), the maximum value of the Share Offer will be increased to approximately HK$37,749 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer and WHB shall receive an aggregate subscription price of approximately HK$1 million arising from the exercise of all of the Awards.

3.4 Further details of the Offers

Further details of the Offers can be found in the letter from BofAML and J.P. Morgan, Appendix I to this Composite Document and the accompanying Form of Acceptance, which together set out the terms and conditions of the Offers and certain related information.

4. GENERAL

4.1 Information on the WHB Group

WHB is a limited company incorporated in Hong Kong and the WHB Shares are listed on the Main Board of the Stock Exchange. The WHB Group is principally engaged in the provision of banking and related financial services.

Your attention is drawn to the financial information of the WHB Group set out in Appendix II to the Composite Document.

4.2 Information on OCBC and the Offeror

Your attention is drawn to the letter from BofAML and J.P. Morgan contained in the Composite Document for information relating to OCBC and the Offeror.

5. INTENTIONS OF THE OFFEROR WITH REGARD TO WHB

Your attention is drawn to the letter from BofAML and J.P. Morgan contained in the Composite Document which sets out the intentions of the Offeror with regard to WHB.

The WHB Board notes that the Offeror and OCBC are committed to the stability of WHB's business and operations after closing of the Offers. After closing of the Offers, the Offeror and OCBC will further review the businesses of WHB, and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of WHB, to integrate the same within the OCBC Group and to comply with any applicable laws and regulations. Save as aforesaid, there are no immediate plans to redeploy any of WHB's fixed assets, or to make material changes to any of the WHB businesses (including disposing of, scaling down or terminating such businesses or acquiring or injecting new assets into WHB).

In particular, the WHB Board notes and welcomes the Offeror and OCBC's commitment towards WHB's Employees. OCBC has undertaken to WHB that for a period of 18 months from the Offer Closing Date, that it will not (and shall procure that its Affiliates will not) (i) terminate the employment of any Employee save where WHB, OCBC or the Offeror makes an offer of alternative employment to such Employee on no less favourable terms and conditions than those which the relevant Employee enjoys immediately prior to the Offer Closing Date; or (ii) in any material respect, detrimentally modify the terms of employment of any Employee (including reducing the amount of compensation received by the Employee immediately prior to the Offer Closing Date), subject to certain exceptions.

6. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

According to the letter from BofAML and J.P. Morgan contained in the Composite Document, the WHB Board understands that if the Offeror acquires not less than 90 per cent. of the Disinterested WHB Shares within the Compulsory Acquisition Entitlement Period, it intends to exercise the right under the Companies Ordinance and pursuant to Rule 2.11 of the Code to compulsorily acquire all those WHB Shares not acquired by the Offeror under the Share Offer. On completion of the compulsory acquisition process (if the compulsory acquisition right is

exercised), WHB will become a wholly-owned subsidiary of OCBC and the WHB Board understands that an application will be made for the withdrawal of the listing of WHB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and, in addition, the deposit agreement governing the WHB ADSs will be terminated pursuant to the terms thereof.

Pursuant to Rule 15.6 of the Code, where the Offeror has stated in the Composite Document its intention to avail itself of any powers of compulsory acquisition, the Offers may not remain open for acceptance for more than four months from the Despatch Date, unless the Offeror has, by that time, become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay.

7. MAINTAINING THE LISTING

If the Offeror does not become entitled to exercise such powers of compulsory acquisition set out above in the section headed "Compulsory Acquisition and Withdrawal of Listing" of this letter (whether by reason of not acquiring 90 per cent. of the Disinterested WHB Shares or otherwise), the WHB Board understands the Offeror intends WHB to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the WHB Board jointly and severally undertook to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the WHB Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to WHB, being 25 per cent. of the issued WHB Shares, is held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of WHB Shares or (ii) there are insufficient WHB Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in WHB Shares. In this connection, it should be noted that, upon the closing of the Offers, there may be insufficient public float for the WHB Shares and therefore trading in the WHB Shares may be suspended until a prescribed level of public float is attained.

8. FURTHER INFORMATION

Please refer to the letter from BofAML and J.P. Morgan set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for information relating to the Share Offer, the acceptance and settlement procedures of the Share Offer, the making of the Share Offer to Overseas Qualifying WHB Shareholders and taxation.

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in the Composite Document, which contains its recommendation to the Qualifying WHB Shareholders and WHB Optionholders in respect of the Offers. Your attention is also drawn to the letter from the Independent Financial Adviser in the Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the terms of the Offers (so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned) and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this Composite Document and the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Share Offer.

By order of the board of
Wing Hang Bank, Limited
Dr FUNG Yuk Bun Patrick JP
Chairman and Chief Executive



WING HANG BANK, LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 302)

30 June 2014

To the Qualifying WHB Shareholders and WHB Optionholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY MERRILL LYNCH (ASIA PACIFIC) LIMITED AND J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED WING HANG BANK, LIMITED SHARES HELD BY QUALIFYING WING HANG BANK, LIMITED SHAREHOLDERS AND TO CANCEL ALL THE OUTSTANDING AWARDS OF WING HANG BANK, LIMITED

INTRODUCTION

We refer to the Composite Document dated 30 June 2014 jointly issued by OCBC, the Offeror and WHB, of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the WHB Board to form the Independent Board Committee to consider and to advise the Qualifying WHB Shareholders and WHB Optionholders as to whether the terms of the Offers are fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned and as to acceptance.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us as to whether or not the terms of the Offers are fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned and as to acceptance of the Offers. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 31 to 53 of the Composite Document.

We also wish to draw your attention to, and advise you to read, the letter from the WHB Board on pages 23 to 28 of the Composite Document, the letter from BofAML and J.P. Morgan on pages 12 to 22 of the Composite Document and the appendices to the Composite Document.

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter, we concur with the view of the Independent Financial Adviser and consider that the terms of the Offers are fair and reasonable so far as the Qualifying WHB Shareholders and WHB Optionholders are concerned.

Accordingly, we concur with the recommendation of the Independent Financial Adviser, and would recommend the Qualifying WHB Shareholders to accept the Share Offer, and for the WHB Optionholders to accept the Option Offer.

Notwithstanding our views and recommendation in respect of the terms of the Offers, the Qualifying WHB Shareholders and the WHB Optionholders are strongly advised that their decision to realise or to hold their investment in WHB depends on their own individual circumstances and investment objectives. If in doubt, the Qualifying WHB Shareholders and WHB Optionholders should consult their own professional advisers for professional advice. Furthermore, the Qualifying WHB Shareholders who wish to accept the Share Offer and WHB Optionholders who wish to accept the Option Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in the Composite Document and the procedures for accepting the Option Offer as detailed in the Option Letter, respectively.

Yours faithfully,
For and on behalf of
THE INDEPENDENT BOARD COMMITTEE

Dr CHENG Hon Kwan GBS, JP
Independent Non-executive WHB Director

Mr LAU Hon Chuen Ambrose GBS, JP
Independent Non-executive WHB Director

Mr LI Sze Kuen Billy
Independent Non-executive WHB Director

Mr TSE Hau Yin Aloysius
Independent Non-executive WHB Director

The following is the text of a letter of advice from Somerley to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Composite Document.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 June 2014

To: the Independent Board Committee of Wing Hang Bank, Limited

Dear Sirs,

CONDITIONAL VOLUNTARY GENERAL CASH OFFERS BY MERRILL LYNCH (ASIA PACIFIC) LIMITED AND J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED WHB SHARES HELD BY THE QUALIFYING WHB SHAREHOLDERS AND TO CANCEL ALL THE OUTSTANDING AWARDS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee in connection with the Offers. Details of the Offers are contained in the Composite Document dated 30 June 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the "Letter from BofAML and J.P. Morgan" contained in the Composite Document, BofAML and J.P. Morgan, on behalf of the Offeror, are making a voluntary conditional cash offer to acquire all of the issued WHB Shares from the Qualifying WHB Shareholders at an offer price of HK$125 per WHB Share and the Option Offer to cancel all the outstanding Awards. The Option Offer will be conditional upon the Share Offer becoming unconditional. The making of the Offers was subject to the satisfaction of the Pre-Conditions. On 27 June 2014, OCBC, the Offeror, and WHB jointly announced that all the Pre-Conditions have been fulfilled.

The WHB Board currently consists of three executive directors, three non-executive directors and four independent non-executive directors. In accordance with Rule 2.8 of the Code, members of the Independent Board Committee should comprise all non-executive directors who have no direct or indirect interest in the Offers, other than as a WHB Shareholder. As all non-executive WHB Directors are connected to either the Fung Family or BNY, they are all excluded from the Independent Board Committee. The Independent Board Committee, comprising all of the independent non-executive WHB Directors, namely Dr Cheng Hon Kwan, Mr Lau Hon Chuen Ambrose, Mr Li Sze Kuen Billy and Mr Tse Hau Yin Aloysius, has been established to make recommendations to the Qualifying WHB Shareholders and the WHB Optionholders as to whether the terms of the Offers are fair and reasonable and as to whether they should accept the Offers. The Independent Board Committee has approved our appointment as the independent financial adviser to the Independent Board Committee in this regard.

We are not associated or connected with WHB, OCBC or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us

in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from WHB, OCBC or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (a) the Announcement; (b) the annual reports of WHB for the two years ended 31 December 2012 and 2013; and (c) the no material change statement given by the WHB Directors set out in Appendix II to the Composite Document, and have researched materials on comparable companies. We have relied on the information and facts supplied, and the opinions expressed, by the WHB Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have further assumed that all representations contained or referred to in the Composite Document are true, accurate and complete. Qualifying WHB Shareholders and WHB Optionholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the WHB Directors that to the best of their knowledge, no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendations set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the WHB Group, nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications of accepting the Offers for Qualifying WHB Shareholders and WHB Optionholders since these depend on their individual circumstances. In particular, Qualifying WHB Shareholders and WHB Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

The terms set out below are summarised from the "Letter from BofAML and J.P. Morgan" and "Letter from the WHB Board" contained in the Composite Document and Appendix I to the Composite Document. Qualifying WHB Shareholders and WHB Optionholders are encouraged to read the relevant letters and appendices in full.

(a) Offers

Share Offer

BofAML and J.P. Morgan, on behalf of the Offeror, are making the Share Offer on the following basis:

For each WHB Share	HK$125 in cash

The WHB Shares to be acquired under the Share Offer shall be fully paid and acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 1 April 2014, being the date of the Announcement, or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014, but excluding the Final Dividend. The Final Dividend was paid to WHB Shareholders on 19 May 2014.

Option Offer

As at the Latest Practicable Date, there were 1,316,000 outstanding Awards in respect of 1,316,000 WHB Shares with an acquisition price of HK$1.00 per WHB Share. Pursuant to Rule 13 of the Code, subject to the Share Offer becoming or being declared unconditional in all respects, BofAML and J.P. Morgan, on behalf of the Offeror, are making the Option Offer to the WHB Optionholders for the cancellation of all the outstanding Awards on the following basis:

For each Award	HK$124 in cash

(b) Conditions of the Share Offer

The Share Offer is subject to the fulfilment of certain conditions, which include the Offeror having received valid acceptances of the Share Offer by the Offer Closing Date in respect of such number of WHB Shares which, together with the WHB Shares already owned or agreed to be acquired before or during the Share Offer, would result in the Offeror and the Concert Parties holding more than 50% of the voting rights in WHB (the "**50% Condition**"). As explained in sub-section headed "(c) Irrevocable undertakings" below, the 50% Condition will therefore be satisfied upon acceptance of the Share Offer by the Undertaking Shareholders and the Additional Undertaking Shareholders.

Further details of the Conditions are set out in the "Letter from BofAML and J.P. Morgan" contained in the Composite Document.

(c) Irrevocable undertakings

Irrevocable Undertakings

As at the Latest Practicable Date, the Offeror has received irrevocable undertakings from the Undertaking Shareholders, pursuant to which, among other things, the Undertaking Shareholders agreed to accept the Share Offer in respect of 138,113,036 WHB Shares, representing approximately 44.79% of the issued share capital of WHB as at the Latest Practicable Date.

Additional Irrevocable Undertakings

As at the Latest Practicable Date, the Offeror has received irrevocable undertakings from the Additional Undertaking Shareholders, pursuant to which, among other things, the Additional Undertaking Shareholders agreed to accept the Share Offer in respect of 10,609,907 WHB Shares, representing approximately 3.44% of the issued share capital of WHB as at the Latest Practicable Date.

The WHB Shares under the irrevocable undertakings given by the Undertaking Shareholders and the Additional Undertaking Shareholders, coupled with 7,704,500 WHB Shares acquired by the Offeror from the Selling Shareholder on 2 April 2014, represent approximately 50.73% of the issued share capital of WHB as at the Latest Practicable Date. This should ensure that the Share Offer will become unconditional as to acceptances.

Further details of the Irrevocable Undertakings and the Additional Irrevocable Undertakings are set out in the "Letter from BofAML and J.P. Morgan" contained in the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Offers

The WHB Group is principally engaged in the provision of commercial banking and related financial services. The WHB Group's operating segments cover (a) retail banking activities ("**Retail Banking Activities**") which include acceptance of deposits, residential mortgages, hire purchase, consumer loans, wealth management, stock brokerage and insurance services; (b) corporate banking activities ("**Corporate Banking Activities**") which include advance of commercial and industrial loans, trade financing and institutional banking; and (c) treasury activities ("**Treasury Activities**") which include foreign exchange services, management of investment securities and trading activities. The WHB Group has an extensive branch network in Greater China, comprising 42 branches in Hong Kong, 15 branches and sub-branches in the PRC (including Shenzhen, Guangzhou, Shanghai, Beijing and Zhuhai) and 13 branches in Macau.

As stated in the "Letter from BofAML and J.P. Morgan" contained in the Composite Document, the Offeror is a wholly-owned subsidiary of OCBC which is a limited company incorporated in Singapore and listed on the Singapore Stock Exchange. OCBC and its subsidiaries are principally engaged in the business of banking, life assurance, general insurance, asset management, investment holding, futures and stockbroking with key markets in Singapore, Malaysia, Indonesia and Greater China. OCBC and the Offeror believe that the acquisition would not only enable the OCBC Group to capitalise on growing trade, investment, capital and wealth flows between North and South East Asia by increasing its branch network coverage in the PRC and Hong Kong in addition to providing it with a new platform in Macau, but also enlarge its customer base and enhance its product capabilities in key areas including RMB-denominated businesses, U.S.D. and HKD products, small and medium enterprise lending as well as auto and equipment financing.

2. Financial information and prospects of the WHB Group

(a) Financial performance

The following is a summary of the audited consolidated statements of the WHB Group for the three years ended 31 December 2011, 2012 and 2013, as extracted from the 2012 and 2013 annual reports of WHB. Further details of the results and other financial information of the WHB Group are set out in Appendix II to the Composite Document.

		For the year ended 31 December		
	Ref.	2013	2012	2011
				(Restated) (Note)
		HK$'000	HK$'000	HK$'000
Interest income		**5,932,327**	5,740,989	5,285,132
Interest expense		**(2,593,856)**	(2,787,348)	(2,413,912)
Net interest income	**(i)**	**3,338,471**	2,953,641	2,871,220
Other operating income	**(ii)**	**845,592**	812,356	848,105
Net gains from trading and financial instruments designated at fair value through profit or loss	**(iii)**	**116,686**	124,873	65,825
Non-interest income		**962,278**	937,229	913,930
Operating income		**4,300,749**	3,890,870	3,785,150
Operating expenses	**(iv)**	**(2,236,245)**	(1,851,862)	(1,734,660)
Operating profit before impairment losses and allowances		**2,064,504**	2,039,008	2,050,490
Impairment losses and allowances charged on loans and advances	**(v)**	**(86,347)**	(235,814)	(29,812)
Impairment losses and allowances released from/(charged on) available-for-sale financial assets		**—**	3,626	(18,463)
Operating profit		**1,978,157**	1,806,820	2,002,215
Net gains on revaluation of properties and disposal of tangible fixed assets	**(vi)**	**315,520**	185,360	423,095
Net gains on disposal of available-for-sale financial assets	**(vii)**	**210,596**	86,604	45,208
Share of net gains of associated companies		**51,257**	40,960	50,326
Profit before taxation		**2,555,530**	2,119,744	2,520,844
Taxation		**(368,407)**	(317,383)	(372,191)
Profit for the year		**2,187,123**	1,802,361	2,148,653
Attributable to:				
Equity shareholders of WHB	**(viii)**	**2,187,123**	1,802,361	2,148,895
Non-controlling interests		**—**	—	(242)
Profit for the year		**2,187,123**	1,802,361	2,148,653
Earnings per WHB Share				
Basic	**(ix)**	**HK$7.17**	HK$6.00	HK$7.24
Diluted		**HK$7.12**	HK$5.96	HK$7.17
Dividend per WHB Share				
Interim dividend		**HK$0.46**	HK$0.46	HK$0.46
Final dividend		**HK$1.62**	HK$1.62	HK$1.34
Total dividend	**(ix)**	**HK$2.08**	HK$2.08	HK$1.80

Note:
The consolidated results of the WHB Group for the year ended 31 December 2011 were restated as the WHB Group applied amendments to Hong Kong Accounting Standard 12 "Income taxes—Deferred tax: Recovery of underlying assets" retrospectively in its financial statements for the year ended 31 December 2012, details of which are set out in note 4 under "Notes to the Financial Statements" to WHB's 2012 annual report.

(i) Net interest income

Net interest income of the WHB Group is primarily derived from Retail Banking Activities, Corporate Banking Activities and Treasury Activities in Hong Kong, China and Macau.

For the year ended 31 December 2012, net interest income increased by approximately 2.9% to approximately HK$2,953.6 million, mainly attributable to improved loan volumes and debt securities investments, partially offset by a decrease in net interest margin by 5 basis points to 1.62% due to an increase in deposit funding costs. The decline in interbank interest rate also reduced yield on the WHB Group's excess funds in China.

For the year ended 31 December 2013, net interest income increased by approximately 13.0% to approximately HK$3,338.5 million, resulting from higher interest income due to increased advances to customers and lower interest expenses for deposits from customers and subordinated liabilities. As shown in sub-section 2(b)(i) headed "Major assets" below, advances to customers and other accounts as at 31 December 2013 increased by approximately 17.7% as compared to the previous year end. As regards interest expenses, the effective interest rate decreased from approximately 1.48% in December 2012 to approximately 1.42% in December 2013. Higher loan volumes, coupled with lower interest expenses on subordinated debt, gave rise to an improvement of net interest margin by 9 basis points to 1.71% in 2013. The lower interest expenses on subordinated debt was due to the early redemption by WHB of its US$225 million 9.375% perpetual subordinated notes in September 2013.

The net interest margins of WHB in 2012 and 2013 compared favourably with those of authorised institutions in Hong Kong as a whole, being approximately 1.08% and 1.12% respectively, according to the 2013 annual report (the "**HKMA Report**") of the HKMA.

(ii) Other operating income

Other operating income mainly comprised credit commission and fees, credit card related fees, trade related fees, insurance commission, stockbroking fees and gains arising from dealing in foreign currencies.

For the two years ended 31 December 2013, other operating income exhibited a fairly stable trend, from approximately HK$848.1 million in 2011 to approximately HK$812.4 million in 2012 and to approximately HK$845.6 million in 2013.

(iii) Net gains from trading and financial instruments designated at fair value through profit or loss

Net gains from trading and financial instruments designated at fair value through profit or loss represented net realised and unrealised gains on trading and financial instruments including subordinated liabilities, collateralised debt obligations and debt securities.

As the market value of the debt securities portfolio increased, net gains from trading and financial instruments designated at fair value through profit or loss rose by approximately 89.7% to approximately HK$124.9 million for the year ended 31 December 2012. In 2013, net gains decreased by approximately 6.6% to approximately HK$116.7 million.

(iv) Operating expenses

Operating expenses increased by approximately 6.8% to approximately HK$1,851.9 million for the year ended 31 December 2012, mainly attributable to an increase in staff costs resulting from the annual adjustment of salary in 2012. As a result, the cost-to-income ratio, being operating expenses divided by operating income, increased from approximately 45.8% in 2011 to approximately 47.6% in 2012. Operating expenses increased by approximately 20.8% to approximately HK$2,236.2 million in 2013, and the cost-to-income ratio further increased to approximately 52.0% in 2013.

The cost-to-income ratios of authorised institutions in Hong Kong in 2012 and 2013, as disclosed in the HKMA Report, were approximately 54.8% and 49.0% respectively.

(v) Impairment losses and allowances charged on loans and advances

For the year ended 31 December 2012, impairment losses and allowances charged on loans and advances amounted to approximately HK$235.8 million, consisting of net impairment losses and allowances under individual assessment of approximately HK$117.8 million and those under collective assessment of approximately HK$118.0 million. Impairment losses and allowances charged on loans and advances decreased by approximately 63.4% to approximately HK$86.3 million in 2013, comprising net impairment losses and allowances under individual assessment of approximately HK$119.0 million and impairment losses and allowances released from loans and advances under collective assessment of approximately HK$32.7 million.

(vi) Net gains on revaluation of properties and disposal of tangible fixed assets

Net gains on revaluation of properties and disposal of tangible fixed assets mainly represent unrealised revaluation gains of investment properties and net gains on disposal of tangible fixed assets.

For the year ended 31 December 2012, net gains on revaluation of properties and disposal of tangible fixed assets decreased by approximately 56.2% to approximately HK$185.4 million, mainly attributable to the substantial gains on disposal of properties recognised in 2011. In 2013, net gains on revaluation of properties and disposal of tangible fixed assets increased by approximately 70.2% to approximately HK$315.5 million.

(vii) Net gains on disposal of available-for-sale financial assets

Net gains on disposal of available-for-sale financial assets represent net unrealised gains transferred from investment revaluation reserve upon disposal and net gains on disposal of available-for-sale financial assets. The WHB Group recorded net gains on disposal of available-for-sale financial assets of approximately HK$86.6 million for the year ended 31 December 2012. Following the sale of available-for-sale debt securities and equity investment, net gains on disposal of available-for-sale financial assets increased by approximately 143.2% to approximately HK$210.6 million in 2013. As at 31 December 2013, approximately 50.6% of the available-for-sale financial assets were sovereign treasury bills.

(viii) Profit attributable to equity shareholders of WHB

For the year ended 31 December 2012, profit attributable to equity shareholders of WHB decreased by approximately 16.1% to approximately HK$1,802.4 million, mainly attributable to an increase in impairment losses and allowances charged on loans and advances and the substantial capital gain on the disposal of properties recognised in the previous year. These items were partially offset by net gains on disposal of available-for-sale financial assets and a decrease in taxation.

Profit attributable to equity shareholders of WHB amounted to approximately HK$2,187.1 million for the year ended 31 December 2013, representing an increase of approximately 21.3% as compared to the previous year. This was mainly due to an increase in net interest income and a decrease in impairment losses and allowances charged on loans and advances as well as the net gains on disposal of tangible fixed assets and available-for-sale financial assets in 2013, partially offset by an increase in operating expenses.

(ix) Basic earnings per WHB Share and dividends

Basic earnings per WHB Share for the three years ended 31 December 2011, 2012 and 2013 were approximately HK$7.24, HK$6.00 and HK$7.17 respectively. Approximately 3.4 million and 5.3 million new ordinary shares were issued during 2012 and 2013 respectively, which represented approximately 1.1% and 1.7% to the issued share capital of WHB as at 31 December 2012 and 2013 respectively. The increase in the number of WHB Shares issued in 2013 was mainly attributable to the increase in the number of WHB Shares issued in lieu of dividends.

Total dividends declared for the year ended 31 December 2013, including the Final Dividend, amounted to HK$2.08 per WHB Share, which was the same as the total dividend declared for 2012. Total dividend declared in 2012 improved by approximately 15.6% as compared to that in the previous year.

(b) Financial position

Set out below are the summarised consolidated balance sheets of the WHB Group as at 31 December 2011, 2012 and 2013, as extracted from the 2012 and 2013 annual reports of WHB. Further details of the financial position of the WHB Group as at those dates and other financial information of the WHB Group, including the indebtedness statement as at 30 April 2014, are set out in Appendix II to the Composite Document.

		As at 31 December		
		2013	2012	2011
	Ref.	HK$'000	HK$'000	(Restated) (Note 1) HK$'000
Assets				
Cash and balances with banks, central banks and other financial institutions		7,564,466	7,211,390	9,160,862
Placements with banks, central banks and other financial institutions		19,216,094	16,832,550	24,426,296
Trading assets		2,440,744	8,417,553	3,079,836
Financial assets designated at fair value through profit or loss		8,221,040	9,879,170	4,820,918
Advances to customers and other accounts		142,356,699	120,919,211	114,890,980
including: gross advances to customers		135,323,268	114,053,811	110,577,518
Held-to-maturity investments		4,391,766	2,355,665	—
Available-for-sale financial assets		24,163,415	24,640,249	24,405,751
Investments in associated companies		252,554	229,723	249,252
Tangible fixed assets				
— Investment properties		163,100	899,342	589,772
— Other properties, plants and equipment		4,263,426	4,633,905	4,279,921
Goodwill		1,306,430	1,306,430	1,306,430
Current tax recoverable		7,322	4,689	7,880
Deferred tax assets		28,833	33,992	30,893
Total assets	(i)	214,375,889	197,363,869	187,248,791
Equity and liabilities				
Deposits and balances of banks, central banks and other financial institutions		3,258,322	1,091,462	808,469
Deposits from customers		177,909,960	165,935,458	157,754,438
Certificates of deposit issued		4,186,223	2,563,550	2,756,649
Trading liabilities		773,110	552,174	1,082,405
Current tax payable		207,753	152,588	166,876
Deferred tax liabilities		149,093	174,020	152,892
Other accounts and provisions		3,021,929	2,410,407	2,585,523
Subordinated liabilities		3,169,279	4,950,430	4,685,528
Total liabilities	(ii)	192,675,669	177,830,089	169,992,780
Share capital		307,425	302,163	298,812
Reserves		21,392,795	19,231,617	16,957,199
Total equity		21,700,220	19,533,780	17,256,011
Net asset value per WHB Share *(Note 2)*	(iii)	HK$70.59	HK$64.65	HK$57.75

Notes:

1. The consolidated balance sheet of the WHB Group as at 31 December 2011 was restated as the WHB Group applied amendments to Hong Kong Accounting Standard 12 "Income taxes—Deferred tax: Recovery of underlying assets" retrospectively in its financial

statements for the year ended 31 December 2012, details of which are set out in note 4 under "Notes to the Financial Statements" to WHB's 2012 annual report.

2. Net asset value per WHB Share is calculated by dividing total net assets attributable to equity shareholders of WHB by the number of WHB Shares in issue as at the end of the respective financial years.

(i) Major assets

The assets of the WHB Group mainly consist of placements with banks, central banks and other financial institutions, advances to customers and other accounts and available-for-sale financial assets. Advances to customers and other accounts primarily include advances for corporate property investments and purchase of residential properties by individuals in Hong Kong, China and Macau. Available-for-sale financial assets consist of listed and unlisted debt and equity securities in and outside Hong Kong.

As at 31 December 2012, advances to customers and other accounts amounted to approximately HK$120,919.2 million, representing an increase of approximately 5.2% as compared to those as at 31 December 2011. Such increase was largely due to increased demand for residential mortgages, auto financing and equipment leasing, investment mortgage loans and corporate lending as well as higher loan demand in Macau, partially offset by a decline in the letter-of-credit financing business.

Advances to customers and other accounts as at 31 December 2013 increased by approximately 17.7% to approximately HK$142,356.7 million as compared to those as at 31 December 2012. This significant increase was mainly attributable to general loan demand in residential mortgages, wholesale and retail trade, auto and equipment leasing, corporate and consumer lending in Hong Kong as well as in China and Macau.

Gross advances to customers of WHB grew by approximately 3.1% and 18.6% to approximately HK$114,053.8 million and HK$135,323.3 million as at 31 December 2012 and 2013, respectively, as compared to the previous year. According to the HKMA Report, total loan growth reached approximately 16.0% in 2013, as compared to approximately 9.6% in 2012, spurred by strong demand for trade finance and U.S.D. loans. The loan growth of WHB was less than that of the overall retail banking sector in 2012. In 2013, the loan growth of WHB was close to that of the overall market.

(ii) Major liabilities

The liabilities of the WHB Group are mainly deposits from customers which comprise demand deposits and current accounts, savings deposits and time, call and notice deposits.

As at 31 December 2012, supported by an increase in demand and saving deposits, total customer deposits increased by approximately 5.2% to approximately HK$165,935.5 million as compared to those as at 31 December 2011. As at 31 December 2013, total customer deposits were approximately HK$177,910.0 million, representing an increase of approximately 7.2% as compared to those as at 31 December 2012, mainly attributable to the increase in time, call and notice deposits.

Total deposits with the authorised institutions in Hong Kong grew by approximately 10.6%, roughly the same pace as in the previous two years. Customer deposits of the WHB Group grew at a slower pace than that of the overall market.

(iii) Net asset value per WHB Share

As at 31 December 2013, the audited consolidated net asset value per WHB Share was approximately HK$70.59 per WHB Share (before the payment of the Final Dividend of HK$1.62 per WHB Share declared for

2013), calculated by dividing the audited consolidated net assets of WHB of approximately HK$21,700.2 million by the 307,424,722 WHB Shares in issue as at 31 December 2013.

(iv) Key financial ratios

The following table sets out the key financial ratios of the WHB Group as extracted from the 2012 and 2013 annual reports of WHB:

	As at 31 December		
	2013	**2012**	**2011**
WHB (Local banking sector) (*Note 1*)			
Capital adequacy ratio (*Note 2*)	**15.9%** **(15.9%)**	15.7% (15.7%)	15.9% (15.8%)
Loan-to-deposit ratio (*Note 3*)	**73.0%** **(70.4%)**	67.3% (67.1%)	68.5% (66.9%)
Return on assets (*Note 4*)	**1.07%** **(1.05%)**	0.95% (0.74%)	1.20% (0.72%)
Overdue for over 3 months and rescheduled loans as a percentage of total loans (*Note 5*)	**0.4%** **(0.4%)**	0.5% (0.4%)	0.3% (0.5%)

Source: 2012 and 2013 annual report of WHB and HKMA Report

Notes:

1. Figures in brackets relate to Hong Kong offices only unless otherwise stated, as extracted from the HKMA Report.
2. The capital adequacy ratios of WHB as at 31 December 2013 are computed on a consolidated basis including WHB and certain of its subsidiaries as specified by the HKMA for its regulatory purposes and are in accordance with the Banking (Capital) Rules (the "**Capital Rules**"). The ratios as at 31 December 2013 are compiled in accordance with the amended Capital Rules effective from 1 January 2013 for the implementation of the Basel III capital accord, whereas the ratios as at 31 December 2011 and 2012 were compiled in accordance with the pre-amended Capital Rules in force immediately before 1 January 2013. As a result, the ratios as at 31 December 2013 were not directly comparable with those as at 31 December 2011 and 2012.
3. Loan-to-deposit ratios of the local banking sector refer to those of authorised institutions.
4. Return on assets of WHB refers to the net profit of the WHB Group divided by the average asset whereas return on assets of the banking sector is calculated using the aggregate post-tax profits over the average assets of all authorised institutions.
5. For WHB, this figure refers to the sum of (i) gross advances to customers which have been overdue with respect to either principal or interest for over 3 months; and (ii) rescheduled advances to customers which have been restructured or renegotiated because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule, divided by total gross advances to customers. Figures of the banking sector relate to the Hong Kong offices of authorised institutions and overseas branches of locally incorporated authorised institutions.

WHB's capital adequacy ratios as at 31 December 2011, 2012 and 2013 remained at a similar level of around 16%, in line with those of locally incorporated authorised institutions.

Loan-to-deposit ratios of WHB were higher than those of authorised institutions in Hong Kong as at 31 December 2011, 2012 and 2013. As credit expansion outpaced the growth of deposits, loan-to-deposit ratios of WHB and the overall banking sector rose significantly to over 70% as at 31 December 2013, as compared to the previous year end.

The profitability of WHB in terms of return on assets was in line with the overall banking sector in 2013. The ratios of loans overdue for over 3 months and rescheduled loans to total loans of WHB and the overall banking sector as at 31 December 2011, 2012 and 2013 remained at low levels, in the range of 0.3% to 0.5%.

(c) Prospects of the WHB Group

The local banking sector continued to record healthy growth in 2013, with additional long-term growth potential in the offshore RMB market. Asset quality and liquidity positions of retail banks remained sound and locally incorporated authorised institutions continued to be well capitalised. Despite a slowdown in economic growth, China's economic growth remains relatively strong in the context of the global economy, raising Hong Kong's external demand and boosting domestic consumption.

As stated in the 2013 annual report of WHB, the WHB Directors expect the Hong Kong economy to achieve moderate growth in 2014 supported by low unemployment and recovering external demand mainly from the United States and Europe. With the growing internationalisation of the RMB, interest rate differentials between Hong Kong and China give rise to continued development of the WHB Group's onshore and offshore RMB businesses. The WHB Group will remain strategically focused on RMB-related businesses as China's economy continues to develop. Nevertheless, tighter credit conditions in China may cause the deposit environment to become more competitive and there is a risk of capital flight as the Federal Reserve continues to reduce the scale of its quantitative easing. Competition in the banking industry in Hong Kong is expected to remain intense.

3. Peer comparison

(a) Comparable offer

The WHB Group is principally engaged in the provision of commercial banking and related financial services. In assessing the fairness and reasonableness of the Offer Price under the Share Offer, we have considered comparable transactions involving acquisition of banks in Hong Kong over the past three years. Only one comparable transaction was identified, being the acquisition of Chong Hing Bank Limited (stock code: 1111.HK) ("**Chong Hing Bank**") in 2013 by Yuexiu Financial Holdings Limited ("**Yuexiu**"), a wholly-owned subsidiary of Yue Xiu Enterprises (Holdings) Limited which is a state-owned enterprise incorporated in the PRC.

On 25 October 2013, it was announced that Yuexiu would make a pre-conditional voluntary cash partial offer (the "**CHB Offer**") to acquire a maximum of 75% of the then issued share capital of Chong Hing Bank from the qualifying shareholders of Chong Hing Bank at an offer price of HK$35.69 per share (the "**CHB Offer Price**"). At the same time, Chong Hing Bank would sell its headquarters (the "**Property**"), being Chong Hing Bank Centre at No. 24 Des Voeux Road Central, Hong Kong, to its then controlling shareholder (the "**Disposal**") and distribute the proceeds from the Disposal less the unaudited carrying value of the Property as at 30 June 2013 by way of a special dividend (the "**CHB Special Dividend**") to its shareholders. Shareholders of Chong Hing Bank would receive the CHB Special Dividend in respect of their entire shareholding, whether they accepted the CHB Offer or not. The CHB Offer was subject to fulfilment of certain conditions, including approval of the Disposal by the independent shareholders of Chong Hing Bank. The CHB Offer became unconditional in all respects on 17 January 2014 and closed on 5 February 2014. Upon closing of the CHB Offer, as the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules was not fulfilled, trading in the shares and debt securities of Chong Hing Bank was suspended. Trading in the shares of Chong Hing Bank resumed on 7 May 2014 following a distribution in specie of Chong Hing Bank shares by Liu Chong Hing Investment Limited (stock code: 194.HK). The closing prices of Chong Hing Bank shares have fluctuated in a range of HK$14.30 to HK$18.60 up to the Latest Practicable Date. This is considerably below the CHB Offer Price.

Set out below is a comparison between the Share Offer and the CHB Offer:

	Share Offer	CHB Offer
Premia of offer price over undisturbed price (*Note 1*)	49.2%	59.0%
Offer price to book ratio	1.81 times *(Note 2)*	2.08 times *(Note 3)*
Offer price to earnings ratio	17.43 times *(Note 4)*	28.55 times *(Note 5)*
Dividend yield at offer price	1.7% *(Note 6)*	1.4% *(Note 7)*

Notes:

1. Undisturbed price refers to the closing price of the shares of WHB or Chong Hing Bank on the last trading day immediately prior to the announcement of a possible disposal of interests in WHB or Chong Hing Bank under Rule 3.7 of the Code.

2. Calculated based on (i) the Offer Price of HK$125 under the Share Offer; and (ii) the audited consolidated net asset value per WHB Share of HK$70.59 as at 31 December 2013 less the Final Dividend of HK$1.62 per WHB Share.

   The bank premises revaluation reserve of the WHB Group, as recorded in the equity of the WHB Group in the balance sheet, resulted from the revaluation of the bank premises that are held for the WHB Group's administrative use, which are stated as their fair values less any subsequent accumulated depreciation in the balance sheet. Self-used properties of Chong Hing Bank, on the other hand, are valued at cost less subsequent accumulated depreciation and accumulated impairment losses (if any) in the balance sheet. The implied price to book ratio ("**P/B**") of the Share Offer, if the bank premises revaluation reserve of HK$6.94 per WHB Share is excluded from the audited consolidated net asset value per WHB Share as at 31 December 2013 for the purpose of being comparable with the accounting treatment of self-used properties in Chong Hing Bank's case which is on a "cost" basis as mentioned above, will be approximately 2.02 times, close to that of the CHB Offer.

3. Calculated based on (i) the CHB Offer Price of HK$35.69 per share; and (ii) the unaudited consolidated net asset value per share of Chong Hing Bank as at 30 June 2013 of approximately HK$17.12.

4. The implied price to earnings ratio (**"P/E**") of the Share Offer is based on the Offer Price of HK$125 under the Share Offer and the audited basic earnings per WHB Share for the year ended 31 December 2013 of HK$7.17.

5. The implied P/E of the CHB Offer is calculated based on the CHB Offer Price of HK$35.69 per share and the audited basic earnings per share of Chong Hing Bank for the year ended 31 December 2012 of HK$1.25.

6. The implied dividend yield of the Share Offer is calculated based on (i) the Offer Price of HK$125 under the Share Offer; and (ii) the aggregate of final dividend of WHB declared for the year ended 31 December 2013 of HK$1.62 per WHB Share and interim dividend of WHB declared for 2013 of HK$0.46 per share.

7. The implied dividend yield of the CHB Offer is calculated based on (i) the CHB Offer Price of HK$35.69 per share; and (ii) the aggregate of final dividend of Chong Hing Bank declared for the year ended 31 December 2012 of HK$0.35 per share and interim dividend of Chong Hing Bank declared for 2013 of HK$0.14 per share (excluding the CHB Special Dividend).

As shown in the table above, both offer prices under the Share Offer and the CHB Offer represent significant premia over the undisturbed prices prior to the announcement of a possible offer under Rule 3.7 of the Code, being approximately 49.2% and 59.0% respectively.

The implied P/B of the Share Offer, based on the net asset value per WHB Share as at 31 December 2013 adjusted for the Final Dividend, is approximately 1.81 times, lower than that of the CHB Offer. However, it should be noted that the CHB Offer was a partial offer for up to 75% of the issued share capital of Chong Hing Bank, which is unusual for Hong Kong listed companies, whereas the Share Offer is being made for the entire issued share capital of WHB and therefore allows WHB Shareholders to realise their investments in full. As such, the partiality of the CHB Offer combined with the differing accounting treatment of the bank premises makes a like-for-like comparison of offer statistics inconclusive.

The dividend yield at the Offer Price under the Share Offer is higher than that under the CHB Offer whereas the offer price to earnings ratio is somewhat higher in the case of the CHB Offer.

To supplement our analysis above, we further consider the historical P/Bs and P/Es of the Comparable Companies (as defined below) in the following sub-section.

(b) Comparable Companies

We have also researched companies listed on the Stock Exchange which (i) are principally engaged in the provision of banking services; (ii) have over 50% of their revenue derived from banking operations in Hong Kong based on their latest annual reports; and (iii) have a market capitalisation below HK$60 billion as at the Latest Practicable Date. Based on these criteria and on an exhaustive basis, we have identified two comparable companies (the "**Comparable Companies**"), Chong Hing Bank and Dah Sing Banking Group Limited (stock code: 2356.HK) ("**Dah Sing Banking**"). Liu Chong Hing Investment Limited (stock code: 194.HK) and Dah Sing Financial Holdings Limited (stock code: 440.HK) were not chosen as their principal businesses include activities other than the provision of banking services. Taking into account that WHB has a majority of its revenue derived from banking operations in Hong Kong, we are of the view that the Comparable Companies represent a fair and representative sample.

There have not been any recent announcements by Dah Sing Banking in relation to any possible disposal of shares by its controlling shareholder.

We have performed the analyses detailed below:

(i) Historical P/B analysis

The table below sets out the comparison of the implied P/B of the Share Offer and the P/Bs of the Comparable Companies:

Comparable Companies	Market capitalisation as at the Latest Practicable Date (Approximately HK$' million) (Note 1)	Audited/adjusted consolidated net assets attributable to equity holders (Approximately HK$' million)	P/B (Approximately times)
Chong Hing Bank	6,220.5	7,732.0 *(Note 2)*	0.80 *(Note 4)*
Dah Sing Banking	18,528.3	18,242.4 *(Note 3)*	1.02 *(Note 5)*
Simple average			0.91
Share Offer			1.81

Notes:

1. Market capitalisation figures of the Comparable Companies as at the Latest Practicable Date are sourced from Bloomberg.
2. Refers to the audited consolidated net assets attributable to equity holders of Chong Hing Bank as at 31 December 2013.
3. Refers to the audited consolidated net assets attributable to equity holders of Dah Sing Banking as at 31 December 2013 of approximately HK$17,050.1 million plus the net proceeds from the rights issue announced on 26 March 2014 of approximately HK$1,192.3 million.

4. Calculated based on the market capitalisation of Chong Hing Bank as at the Latest Practicable Date and the audited consolidated net assets attributable to equity holders of Chong Hing Bank as at 31 December 2013.

5. Calculated based on the market capitalisation of Dah Sing Banking as at the Latest Practicable Date and the adjusted consolidated net assets attributable to equity holders of Dah Sing Banking as mentioned in note 3 above.

The historical P/Bs of Chong Hing Bank and Dah Sing Banking are approximately 0.80 times and 1.02 times respectively, with an average of approximately 0.91 times. The implied P/B of the Share Offer is substantially higher than those of the Comparable Companies.

(ii) Historical P/E analysis

The table below sets out the comparison of the implied P/E of the Share Offer and the P/Es of the Comparable Companies:

Comparable Companies	Market capitalisation as at the Latest Practicable Date (Approximately HK$' million)	Audited consolidated net profits attributable to equity holders (Approximately HK$' million) (Note 1)	P/E (Approximately times) (Note 2)
Chong Hing Bank	6,220.5	557.4	11.16
Dah Sing Banking	18,528.3	1,756.5	10.55
Simple average			10.86
Share Offer			17.43

Notes:

1. The audited consolidated net profits attributable to equity holders of the Comparable Companies are extracted from their annual reports for the year ended 31 December 2013.

2. Historical P/Es of the Comparable Companies are calculated based on their market capitalisation at the Latest Practicable Date and their audited consolidated net profits attributable to their equity holders for the year ended 31 December 2013.

As set out in the table above, the historical P/Es of Chong Hing Bank and Dah Sing Banking are approximately 11.16 times and 10.55 times respectively, with an average of approximately 10.86 times. The implied P/E of the Share Offer is substantially higher than those of the Comparable Companies.

(iii) Dividend yield analysis

The table below sets out the comparison of dividend yields of WHB and the Comparable Companies:

Comparable Companies	Dividend yield (Approximately)
Chong Hing Bank (*Note 1*)	3.3%
Dah Sing Banking (*Note 2*)	2.5%
Simple average	2.9%
WHB	1.7%

Notes:

1. The dividend yield of Chong Hing Bank is calculated based on (i) its closing share price as at the Latest Practicable Date; and (ii) the aggregate of final dividend of Chong Hing Bank declared for the year ended 31 December 2013 of HK$0.33 per share and interim dividend of Chong Hing Bank declared for 2013 of HK$0.14 per share (excluding the CHB Special Dividend).

2. The dividend yield of Dah Sing Banking is calculated based on (i) its closing share price as at the Latest Practicable Date; and (ii) the aggregate of final dividend of Dah Sing Banking declared for the year ended 31 December 2013 of HK$0.24 per share and interim dividend of Dah Sing Banking declared for 2013 of HK$0.09 per share.

As set out in the table above, the dividend yields of Chong Hing Bank and Dah Sing Banking are approximately 3.3% and 2.5% respectively, with an average of approximately 2.9%. The implied dividend yield of the Share Offer of approximately 1.7% is lower than those of the Comparable Companies, which implies that WHB Shareholders accepting the Share Offer could reinvest the proceeds in comparable companies and achieve a higher yield.

The dividend yield of the Hang Seng Index was approximately 3.84% as at the Latest Practicable Date (source: Bloomberg).

The implied P/B of the Share Offer, based on the net asset value per WHB Share as at 31 December 2013 adjusted for the Final Dividend, is approximately 1.81 times, lower than that of the CHB Offer. However, in view of the partial nature of the CHB Offer and the differing accounting treatment of the bank premises, we consider the CHB Offer not directly comparable to the Share Offer. As such, we are of the view that historical price multiples of the Comparable Companies are more relevant for evaluating the Share Offer. The implied P/B and P/E of the Share Offer compare very favourably with those of the Comparable Companies.

4. Analysis of the price performance and trading liquidity of the WHB Shares

(a) Price performance

The Offer Price of HK$125 per WHB Share under the Share Offer represents:

(i) a premium of approximately 49.2% over the closing price of HK$83.80 per WHB Share as quoted on the Stock Exchange on 16 September 2013 (the "**Undisturbed Price**"), being the last trading day prior to the publication of the Initial Announcement in relation to a possible disposal of interests in WHB by the Fung Family and BNY;

(ii) a premium of approximately 22.3% over the average closing price of HK$102.24 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date;

(iii) a premium of approximately 11.6% over the average closing price of HK$112.05 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;

(iv) a premium of approximately 7.7% over the average closing price of HK$116.05 per WHB Share, being the average closing price of WHB Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date; and

(v) a premium of approximately 1.6% over the closing price of HK$123.00 per WHB Share as quoted on the Stock Exchange on the Last Trading Date.

The premium over the Undisturbed Price, i.e. before any news of an offer, is approximately 49.2%. Following the Initial Announcement, the premium narrowed to a range between 22.3% to 1.6% as, in our view, the market perceived the increased possibility of the Offers materialising.

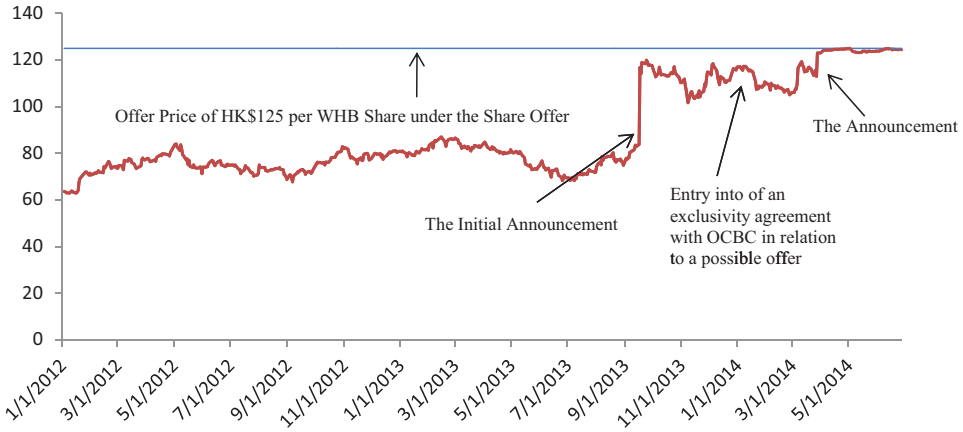
We consider that the premium over the Undisturbed Price of approximately 49.2% is more relevant to the Qualifying WHB Shareholders than shorter terms for the purpose of comparing the WHB Share price with the Offer Price under the Share Offer, as there is less impact from the market expectation of a possible offer.

The Offer Price of HK$125 per WHB Share under the Share Offer represents a premium of approximately 0.5% over the closing WHB Share price of HK$124.4 as at the Latest Practicable Date.

(b) Share price performance

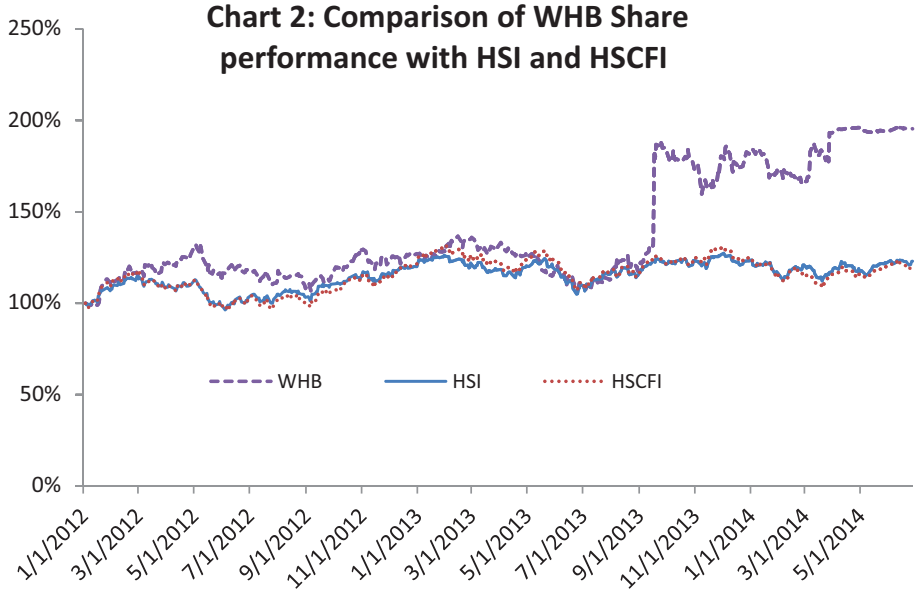
Set out below is (i) the movement of the closing prices of WHB Shares on the Stock Exchange (i.e. chart 1); and (ii) the comparison of the closing prices of WHB Shares with the Hang Seng Index ("**HSI**") and the Hang Seng Composite Financial Index ("**HSCFI**") (i.e. chart 2), from 1 January 2012 up to and including the Latest Practicable Date (the "**Review Period**"):

Chart 1: WHB Share price chart



Source: Bloomberg

Chart 2: Comparison of WHB Share performance with HSI and HSCFI



Source: Bloomberg

As shown in Chart 1 above, the closing prices of WHB Shares were below the Offer Price under the Share Offer during the Review Period. As shown in Chart 2 above, the fluctuation of the closing prices of WHB Shares has been, in general, closely aligned with the overall market since January 2012 until the publication of the Initial Announcement.

On 16 September 2013, it was announced that the substantial shareholders (the "**Substantial Shareholders**") of WHB, being the Fung Family and BNY, had been approached by independent third parties in relation to the possible sale (the "**Possible Sale**") of all of the WHB Shares held by the Substantial Shareholders which represented approximately 45% of the then total issued share capital of WHB. Following this announcement, the closing price of WHB Shares rose from HK$83.80 on 16 September 2013 to HK$116.8 on 17 September 2013. Several further announcements regarding the ongoing dialogue between the Substantial Shareholders and certain independent third parties on the Possible Sale have been made since then.

After the Initial Announcement, the closing prices of WHB Shares fluctuated between HK$101.70 and HK$119.90 until 6 January 2014 when trading in the WHB Shares was suspended. On that date, WHB announced that the Substantial Shareholders had entered into an exclusivity agreement with OCBC, pursuant to which they would engage exclusively with OCBC to seek to finalise the terms for a possible transaction involving OCBC making a general offer for all issued WHB Shares. On the Last Trading Date, the WHB Shares closed at HK$123.00 per WHB Share.

Trading in the WHB Shares was suspended before the Announcement. On 1 April 2014 before trading hours, OCBC, the Offeror and WHB jointly published the Announcement in relation to the Offers. The WHB Share price closed at HK$123.20 on 1 April 2014, being the first trading day immediately after the release of the Announcement. After the Announcement and up to the Latest Practicable Date, the closing prices of WHB Shares have fluctuated between HK$123.2 and HK$125.0, slightly below or same as the Offer Price under the Share Offer. As at the Latest Practicable Date, the WHB Shares closed at HK$124.4 per WHB Share.

(c) Trading liquidity

Set out in the table below are the monthly total trading volumes of the WHB Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of WHB during the Review Period:

	Monthly total trading volume of the WHB Shares (Note 1)	Percentage of the monthly total trading volume of the WHB Shares to the total issued WHB Shares (Note 2)	Percentage of the monthly total trading volume of the WHB Shares to the public float (Notes 2 & 3)
2012			
January	5,442,007	1.82%	3.28%
February	6,416,891	2.15%	3.87%
March	5,094,367	1.70%	3.07%
April	4,747,846	1.59%	2.86%
May	7,492,377	2.51%	4.52%
June	3,620,131	1.20%	2.18%
July	3,648,235	1.21%	2.20%
August	5,401,210	1.80%	3.25%
September	3,946,253	1.31%	2.38%
October	3,660,469	1.21%	2.20%
November	2,706,178	0.90%	1.62%
December	2,515,224	0.83%	1.51%
2013			
January	5,378,373	1.78%	3.23%
February	4,856,711	1.61%	2.91%
March	5,401,990	1.79%	3.24%
April	4,952,192	1.64%	2.97%
May	26,578,979	8.79%	15.94%
June	12,622,105	4.11%	7.47%
July	6,320,307	2.06%	3.74%
August	7,490,668	2.44%	4.43%
September	18,575,213	6.04%	10.99%
October	10,296,885	3.35%	6.09%
November	7,328,924	2.38%	4.33%
December	5,506,638	1.79%	3.26%
2014			
January	14,997,096	4.88%	8.87%
February	6,813,245	2.22%	4.03%
March	10,024,851	3.26%	5.93%
April	55,172,735	17.91%	32.57%
May	8,292,038	2.69%	4.89%
From 1 June 2014 to the Latest Practicable Date	10,983,464	3.56%	6.48%

Notes:

1. Source: Bloomberg

2. The calculation is based on the monthly total trading volume of the WHB Shares divided by the total issued share capital of WHB or the total number of the WHB Shares in public hands at the end of each month (or at the Latest Practicable Date).

3. The total number of the WHB Shares in public hands is calculated based on the number of total issued WHB Shares excluding those held by BNY, the Fung Family and the WHB Directors (including their family interests).

As illustrated in the above table, except for May and June 2013 in which the trading volume of the WHB Shares was high, during the period from January 2012 to August 2013, the monthly trading volume of the WHB Shares ranged between approximately 2.5 million WHB Shares and 7.5 million WHB Shares, representing approximately 0.83% to 2.51% of the total WHB Shares in issue and approximately 1.51% to 4.52% of the public float, which we regard as relatively thin. Several announcements regarding the possible disposal of interests in WHB and the entering into of an exclusivity agreement between the Substantial Shareholders and OCBC, in our view, stimulated the trading volume of the WHB Shares in September and October 2013 and in January and March 2014. Subsequent to the Announcement on 1 April 2014, the trading volume of the WHB Shares reached a maximum in April 2014.

5. Awards

As at the Latest Practicable Date, there were 1,316,000 outstanding Awards in respect of 1,316,000 WHB Shares with an acquisition price of HK$1.00 per WHB Share. Pursuant to Rule 13 of the Code, subject to the Share Offer becoming or being declared unconditional in all respects, the Option Offer will be made for the cancellation of all the outstanding Awards at HK$124 for each Award (the "**Option Offer Price**") which is equal to the "see-through" price, being the Offer Price under the Share Offer minus the acquisition price of HK$1.00 for each Award. The "see-through" principle is the basis normally adopted in Hong Kong in general offer situations where the offeree company has options or convertible securities outstanding.

Pursuant to the Employee Incentive Plan adopted by WHB on 22 April 2004 and renewed on 30 April 2009, if any person obtains control of WHB as a result of making an offer to acquire WHB Shares, an Award shall vest on the date of the relevant event, unless the WHB Board determines in its absolute discretion that an Award shall vest as originally in stages between the sixth and the tenth anniversary of the date of grant in accordance with the Employee Incentive Plan. Unless prohibited by law or the Listing Rules, (a) within 28 days upon vesting, each participant shall deliver the payment (the "**Payment**") of the aggregate acquisition price relating to the number of WHB Shares in respect of which the Award has vested; and (b) the WHB Board shall issue the requisite number of WHB Shares pursuant to the vesting of the Award to the participant within 28 days following the receipt of the Payment.

The WHB Board has undertaken to OCBC and the Offeror that it will not exercise its discretion under the Employee Incentive Plan to determine that any outstanding Awards should continue to vest as originally in accordance with the Employee Incentive Plan even after the Offers are declared or have become unconditional as to acceptances. As a result, the outstanding 1,316,000 Awards as at the Latest Practicable Date shall automatically vest when the Share Offer becomes unconditional in all respects, in which case WHB Optionholders could consider exercising their rights to receive new WHB Shares, although in our view there would be little purpose of so doing unless the market price of the WHB Shares exceeds the Offer Price under the Share Offer. Alternatively, WHB Optionholders could consider accepting the Option Offer, in which case they will receive the consideration (being HK$124 per Award) without having to deliver any Payment to WHB.

6. Intentions of the Offeror with regard to WHB

As stated in the "Letter from BofAML and J.P. Morgan" contained in the Composite Document, the Offeror and OCBC are committed to the stability of WHB's businesses and operations after closing of the Offers. After closing of the Offers, the Offeror and OCBC will further review the businesses of WHB and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of WHB, to integrate the same within the OCBC Group and to

comply with any applicable laws and regulations. Save as aforesaid, there are no immediate plans to redeploy any of WHB's fixed assets, or to make material changes to any of the WHB Group's businesses (including disposing of, scaling down or terminating such businesses or acquiring or injecting new assets into WHB).

The Offeror intends to maintain the listing of the WHB Shares on the Stock Exchange if it does not become entitled to exercise its right under the Companies Ordinance and Rule 2.11 of the Code to compulsorily acquire all the remaining WHB Shares as set out in section 7 headed "Compulsory acquisition and withdrawal of listing" below.

7. Compulsory acquisition and withdrawal of listing

If the Offeror acquires not less than 90% of the Disinterested WHB Shares within the Compulsory Acquisition Entitlement Period, it intends to exercise the right under the Companies Ordinance and Rule 2.11 of the Code to compulsorily acquire all the remaining WHB Shares. Upon completion of this compulsory acquisition process (if the compulsory acquisition right is exercised), WHB will become a wholly-owned subsidiary of OCBC and an application will be made for the withdrawal of the listing of the WHB Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules and, in addition, the deposit agreement governing the WHB ADSs will be terminated pursuant to the terms thereof.

The Stock Exchange has stated that if, after closing of the Offers, less than 25% of the issued WHB Shares are held by the public or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the WHB Shares; or (b) there are insufficient WHB Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in WHB Shares. The directors of the Offeror and the new directors to be appointed to the WHB Board jointly and severally undertook to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the WHB Shares.

DISCUSSION AND ANALYSIS

(a) Opportunity to exit at a significant premium over the Undisturbed Price

In assessing the Share Offer, we consider the premium of the Offer Price under the Share Offer over the Undisturbed Price of 49.2% is the most relevant basis for Qualifying WHB Shareholders to consider in assessing the Share Offer. This is because news of the possible offer came out gradually and the market price of the WHB Shares, in our view, responded as the probability of an offer increased.

The trading of WHB Shares in the market has been relatively thin at times. The Share Offer represents an opportunity for Qualifying WHB Shareholders to sell their WHB Shares at a fixed cash price without affecting the market price.

(b) Irrevocable undertakings

The Offeror has secured sufficient irrevocable undertakings to ensure that, provided such undertakings are honoured, the Offeror will acquire over 50% of the issued WHB Shares, satisfying the acceptance condition of the Share Offer. There is therefore, in our view, no material prospect of any competing proposal for WHB emerging.

(c) Financial performance and financial position of the WHB Group

Details of the financial performance and financial position of the WHB Group are set out in the sub-section 2 headed "Financial information and prospects of the WHB Group" above and in Appendix II to the Composite Document.

The financial performance of the WHB Group in 2012 was affected by impairment losses and allowances charged on loans and advances and a decrease in capital gain on the disposal of properties. The significant increase in the profit of the WHB Group in 2013 was primarily due to a decrease in such impairment losses and allowances charged, as well as the net gains on disposal of tangible fixed assets and available-for-sale financial assets recognised in 2013. Excluding these factors, which may not be recurring, the results of the WHB Group for the years 2011 to 2013 showed a relatively flat performance. Compared with the overall banking sector in Hong Kong, the WHB Group enjoyed a higher net interest margin but also recorded a higher cost-to-income ratio in 2013.

The balance sheet of the WHB Group shows a sound position, with a capital adequacy ratio of approximately 16% and a ratio of overdue for over 3 months and rescheduled loans to total loans of approximately 0.4% as at 31 December 2013, comparable to the overall banking sector in Hong Kong. The WHB Group's loan-to-deposit ratios were generally higher than those of the overall market. However, customer deposits of the WHB Group grew at a slower pace than that of the overall market in 2012 and 2013.

A possible slowdown in growth of China's economy, the expectation of future interest rate hikes and a possible property price correction in Hong Kong may give rise to deterioration in asset quality. Competition in the banking sectors in Hong Kong and China is expected to remain intense, possibly favouring larger banks with international connections over the smaller, family controlled Hong Kong banks, which are in any case shrinking in number.

(d) P/B ratio

P/B ratio is one of the most commonly used yardsticks for judging valuations of banks. The implied P/B of the Share Offer compares very favorably with the prevailing price multiples of the Comparable Companies which in our view are more relevant for evaluating the Share Offer. Due to the partial nature of the CHB Offer, the differing accounting treatment of the bank premises and the relative smaller size of Chong Hing Bank, we consider the CHB Offer not directly comparable to the Share Offer.

(e) P/E ratio and dividend yield

The implied P/E under the Share Offer is approximately 17.43 times. This is lower than that of the CHB Offer but higher than the historical P/Es of the Comparable Companies. The relatively low dividend yield of WHB of 1.7% at the Offer Price under the Share Offer as compared to those of the Comparable Companies and the Hang Seng Index indicates that the Qualifying WHB Shareholders could accept the Share Offer and reinvest the proceeds in other comparable listed Hong Kong companies at a higher yield.

(f) Option Offer

The Option Offer Price is in accordance with the "see-through" principle which is the common market practice in Hong Kong in the context of a general offer for shares where the offeree company has options or convertible securities outstanding.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors set out in this letter and summarised in the section headed "Discussion and analysis" above, we consider that the terms of the Offers are fair and reasonable so far as the Qualifying WHB Shareholders and the WHB Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Qualifying WHB Shareholders and the WHB Optionholders to accept the Offers.

Those Qualifying WHB Shareholders and WHB Optionholders who, after considering the information on OCBC and the Offeror and the future intentions of the Offeror regarding the WHB Group, are attracted by the future prospects of the WHB Group following the Offers, may consider retaining part or all of their WHB Shares or the WHB Shares newly issued when the Awards become vested upon the Share Offer becoming unconditional in all respects. However, the Qualifying WHB Shareholders and the WHB Optionholders should bear in mind the possibility of a suspension of trading in WHB Shares for a period after the close of the Offers if there are heavy acceptances of the Share Offer but not sufficient for the Offeror to privatise WHB.

In addition, if the market price of WHB Shares were to exceed the Offer Price under the Share Offer during the period when the Share Offer is open so that the sales proceeds (net of transaction costs) from disposal of the WHB Shares in the open market exceed the amount receivable under the Share Offer, the Qualifying WHB Shareholders should consider selling their WHB Shares in the open market. Likewise, in such circumstances, the WHB Optionholders should consider exercising their rights and selling the corresponding WHB Shares in the open market.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine	**David Ching**
Chairman	*Director*

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

(a) To accept the Share Offer, you should complete and sign the accompanying WHITE Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WHB Shares is/are in your name, and you wish to accept the Share Offer, you must send the accompanying WHITE Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "**Wing Hang Bank—Share Offer**" on the envelope, as soon as possible and in any event reach the Share Registrar no later than 4: 00 p.m. (Hong Kong time) on Tuesday 29 July 2014, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Code.

(c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WHB Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the accompanying WHITE Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of WHB Shares in respect of which you intend to accept the Share Offer to the Share Registrar in an envelope marked "**Wing Hang Bank—Share Offer**";

(ii) arrange for the WHB Share(s) to be registered in your name through the Share Registrar and send the accompanying WHITE Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar in an envelope marked "**Wing Hang Bank—Share Offer**";

(iii) if your WHB Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your WHB Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your WHB Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the WHITE Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**Wing Hang Bank—Share Offer**" to the Share Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Share Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Share Registrar. The Offeror shall have the absolute discretion to decide whether any WHB Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(e) If you have lodged transfer(s) of any of your WHB Shares for registration in your name and have not yet received your share certificate(s) and you wish to accept the Share Offer, you should nevertheless complete and sign the WHITE Form of Acceptance and deliver it in an envelope marked "**Wing Hang Bank—Share Offer**" to the Share Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of BofAML and J.P. Morgan and/or the Offeror and/or any of their respective agent(s) to collect from WHB or the Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Share Registrar and to authorise and instruct the Share Registrar to hold such share certificate(s), subject to the terms and conditions to the Share Offer, as if it/they were delivered to the Share Registrar with the WHITE Form of Acceptance.

(f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed WHITE Form of Acceptance is received by the Share Registrar by no later than 4:00 p.m. (Hong Kong time) on Tuesday 29 July 2014, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Code, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant WHB Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant WHB Share(s); or

(ii) from a registered Qualifying WHB Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to WHB Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Share Registrar or the Stock Exchange.

If the WHITE Form of Acceptance is executed by a person other than the registered Qualifying WHB Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

(g) No acknowledgement of receipt for any WHITE Form(s) of Share Offer Acceptance, share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) *If you are a holder of WHB ADSs, to accept the Share Offer, you must participate directly in the Share Offer as a holder of WHB Shares by cancelling your WHB ADSs and withdrawing the WHB Shares underlying*

those WHB ADSs pursuant to the deposit agreement governing the WHB ADSs. You will need to surrender the WHB ADSs representing WHB Shares that you wish to tender to The Bank of New York Mellon, as depositary, pay any fees to the depositary for the withdrawal of those WHB Shares, pay any taxes or governmental charges payable in connection with such withdrawal, and otherwise comply with the terms and conditions of the deposit agreement governing the WHB ADSs. You must allow sufficient time for the cancellation of your WHB ADSs and withdrawal of the underlying WHB Shares so that you can complete the procedures for acceptance of the Share Offer as a holder of WHB Shares by 4:00 p.m. (Hong Kong time) on the Offer Closing Date. Please refer to the other provisions of this section "Procedures for acceptance of the Offers". In order to cancel your WHB ADSs and withdraw the underlying WHB Shares, you may contact the depositary at +1 212 571 3050.

1.2 The Option Offer

(a) To accept the Option Offer, you should complete the PINK Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

(b) The completed PINK Form of Acceptance should be forwarded, together with the relevant letter(s) or other document(s) evidencing the grant of the relevant Awards you intend to tender, stating the number of Awards in respect of which you intend to accept the Option Offer, by post or by hand, marked "**Wing Hang Bank—Option Offer**" on the envelope, to the Share Registrar as settlement agent for the Option Offer, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event reach the Share Registrar no later than 4: 00 p.m. (Hong Kong time) on Tuesday 29 July 2014, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Code.

(c) If the relevant letter(s) or other document(s) evidencing the grant of the relevant Awards is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the PINK Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**Wing Hang Bank—Option Offer**" to the Share Registrar together with a letter stating that you have lost one or more of your relevant letter(s) or other document(s) evidencing the grant of the relevant Awards (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your relevant letter(s) or other document(s) evidencing the grant of the relevant Awards (if applicable), you should also write to the Share Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Share Registrar.

(d) No stamp duty will be deducted from the amount paid or payable to WHB Optionholders who accept the Option Offer.

(e) No acknowledgment of receipt of any PINK Form(s) of Acceptance and/or letter(s) or other document(s) evidencing the grant of the Awards will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the WHITE Form of Acceptance and the PINK Form of Acceptance must be received by the Share Registrar by 4.00 p.m. on Tuesday 29 July 2014, being the Offer Closing Date.

(b) If the Offers are extended, the announcement of such extension will state the next closing date or a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in

writing must be given to Qualifying WHB Shareholders and WHB Optionholders before the Offers are closed. If, during the course of the Offers, the Offeror revises the terms of the Offers, all Qualifying WHB Shareholders and WHB Optionholders, whether or not they have already accepted the Share Offer and the Option Offer, respectively, will be entitled to accept the revised Share Offer and the revised Option Offer, respectively, under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Offer Closing Date.

(c) If the Offer Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Offer Closing Date.

3. SETTLEMENT

(a) Settlement of the consideration under the Offers will be made as soon as possible, but in any event within seven (7) business days (as defined in the Code) following the later of (i) the Offer Unconditional Date and (ii) the date of receipt of a complete and valid Form of Acceptance by the Share Registrar in respect of the Offers, whichever is the later.

(b) In the case of Qualifying WHB Shareholders accepting the Share Offer, each cheque will be despatched by ordinary post to the address specified on the relevant Qualifying WHB Shareholder's WHITE Form of Share Offer acceptance at his/her own risk. In the case of WHB Optionholders accepting the Options Offer, each cheque will be despatched by ordinary post to the office of WHB in Hong Kong at 161 Queen's Road Central, Hong Kong for collection.

(c) No fractions of a cent will be payable and the amount of cash consideration payable to a Qualifying WHB Shareholder who accepts the Share Offer or a WHB Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

(d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

(e) Settlement of the consideration to which a Qualifying WHB Shareholder or WHB Optionholder is entitled under the Offers will be implemented in full accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying WHB Shareholder or WHB Optionholder.

4. VESTING OF AWARDS

Under the terms of the Employee Incentive Plan, if any person obtains control of WHB as a result of making an offer to acquire WHB Shares, an Award shall vest on the date of the relevant event, unless the WHB Board determines in its absolute discretion that an Award shall vest in accordance with the terms of the Employee Incentive Plan. Accordingly, as the WHB Board has undertaken to OCBC and the Offeror that it will not exercise its discretion under the Employee Incentive Plan to determine that any Awards granted under the Employee Incentive Plan should continue to vest in accordance with the terms of the Employee Incentive Plan even after the Offers are declared or have become unconditional as to acceptances, all the outstanding Awards will automatically vest on the Offer Unconditional Date.

5. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL

(a) By validly accepting the Share Offer, Qualifying WHB Shareholders will sell to the Offeror their tendered WHB Shares free from all liens, charge, encumbrances, rights of pre-emption and any other third party rights of any

nature and together with all rights attaching to them as at 1 April 2014 being the date of the Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 1 April 2014 being the date of the Announcement but excluding the Final Dividend.

(b) The Share Offer is conditional upon fulfilment of the Conditions set out in the ''Letter from BofAML and J.P. Morgan'' in this Composite Document and the Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Acceptance of the Share Offer and the Option Offer tendered by Qualifying WHB Shareholders and WHB Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Code, which provides that an acceptor of the Share Offer or the Option Offer shall be entitled to withdraw his/her/its acceptance within 21 days from the Offer Closing Date if the Share Offer has not by then become unconditional as to acceptances. An acceptor of the Share Offer or the Option Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

(c) Under Rule 19.2 of the Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in section 6 of this Appendix, the Executive may require that the Qualifying WHB Shareholders and WHB Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

(d) Upon the withdrawal of acceptance by a Qualifying WHB Shareholder or an WHB Optionholder, the Offeror shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post, in the case of a Qualifying WHB Shareholder, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the WHB Share(s) lodged with the WHITE Form of Share Offer Acceptance to such Qualifying WHB Shareholder or, in the case of WHB Optionholder, the relevant letter(s) or other document(s) evidencing the grant of the relevant Awards lodged with the PINK Form of Acceptance to such WHB Optionholder.

6. ANNOUNCEMENTS

(a) The announcement of the results of the Offers will be jointly issued by OCBC, the Offeror and WHB and posted on the website of the Stock Exchange by 7:00 p.m. on Tuesday, 29 July 2014, being the Offer Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offers.

(b) In any announcement of an extension of the Offers, either the next closing date must be stated or, if the Offers is unconditional in all respects, a statement may be made that the Offers will remain open for acceptance for 14 days thereafter in accordance with the Code. If the Share Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the despatch date of this Composite Document, the Offeror shall be entitled to make an announcement to the effect that the Offers will close for acceptance on the date falling 21 days following the despatch date of this Composite Document.

(c) The results announcements shall specify the total number of WHB Shares and rights over WHB Shares:

(i) for which acceptances of the Offers have been received;

(ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.

(d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Code) of WHB which the Offeror or any parties acting in concert with it (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) has borrowed or lent, save for any borrowed WHB Shares which have been either on-lent or sold.

(e) The results announcements shall include the percentages of the relevant classes of share capital of WHB, and the percentages of voting rights, represented by these numbers.

(f) If the Offeror, any parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of accepting Qualifying WHB Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Code.

(g) As required under the Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and WHB.

7. NOMINEE REGISTRATION

To ensure the equality of treatment of all Qualifying WHB Shareholders, registered Qualifying WHB Shareholders who hold the WHB Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of WHB Share(s) whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions of their intentions to the Share Offer to their respective nominees.

8. POSTING

All documents and remittances to be sent to Qualifying WHB Shareholders and WHB Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of Qualifying WHB Shareholders, at their addresses as they appear in the register of members of WHB or, in the case of joint WHB Shareholders, to the Qualifying WHB Shareholder whose name appears first in the register of members of WHB or, in the case of WHB Optionholders, to the office of WHB at 161 Queen's Road Central, Hong Kong. None of the OCBC, the Offeror, WHB, BofAML, J.P. Morgan, Goldman Sachs, KPMG Corporate Finance, Nomura, UBS, Somerley, the Share Registrar or any of their respective directors or agents or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

9. OVERSEAS QUALIFYING WHB SHAREHOLDERS AND WHB OPTIONHOLDERS

(a) The Offers are in respect of a company incorporated and listed in Hong Kong and are therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of Qualifying WHB Shareholders and WHB Optionholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offers may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Qualifying WHB Shareholder or WHB Optionholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Qualifying WHB Shareholder or WHB Optionholder in such relevant jurisdictions.

(b) Any acceptance by any Qualifying WHB Shareholder or WHB Optionholder will be deemed to constitute a representation and warranty from such Qualifying WHB Shareholder or WHB Optionholder to

OCBC, the Offeror and WHB that all local laws and requirements have been complied with and that the Offers can be accepted by such Qualifying WHB Shareholder lawfully under the laws of the relevant jurisdiction. Qualifying WHB Shareholders or WHB Optionholders should consult their professional advisers if in doubt.

(c) Notice to U.S. Qualifying WHB Shareholders and WHB Optionholders

The Offers are being made for the securities of a Hong Kong company and are subject to the procedure and disclosure requirement of laws, regulations and rules in Hong Kong, which are different from those of the United States. In addition, U.S. holders of WHB Shares and/or Awards should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offers are being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO. Accordingly, the Offers will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. tender offer procedures and laws.

The receipt of cash pursuant to the Offers by a U.S. holder of WHB Shares and/or Awards of the Offers may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of WHB Shares and/or Awards of the Offers is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offers.

The financial information of WHB included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. holders of WHB Shares and/or Awards to enforce their rights and claims arising out of the U.S. federal securities laws, since WHB is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. In addition, most of the assets of OCBC, the Offeror and WHB are located outside the United States. U.S. holders of WHB Shares and/or Awards may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of WHB Shares and/or Awards to effect service of process within the United States upon OCBC, the Offeror or WHB or their respective officers or directors, to enforce against them a judgment of a U.S. court, or to compel them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, WHB Shares and/or Awards outside of the United States, other than pursuant to the Offers, before or during the period in which the Offers remain open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk/.

10. TAXATION

(a) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each relevant Qualifying WHB Shareholder at a rate of 0.1 per cent. and will be deducted from the cash amount payable by the Offeror to the relevant Qualifying WHB Shareholders accepting the Share Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and, subject to such deduction aforesaid will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the WHB Shares which are validly tendered for acceptance under the Share Offer. No stamp duty will be deducted from the amount paid or payable to WHB Optionholders who accept the Option Offer.

(b) Qualifying WHB Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasized that none of OCBC, the Offeror or WHB, and their ultimate beneficial owners and parties acting in concert with any of them, BofAML, J.P. Morgan, Goldman Sachs, KPMG Corporate Finance, Nomura, UBS, Somerley, the Share Registrar or any of their respective directors or professional advisers or any persons involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offers.

11. GENERAL

(a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying WHB Shareholders and WHB Optionholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of OCBC, the Offeror, WHB, BofAML, J.P. Morgan, Goldman Sachs, KPMG Corporate Finance, Nomura, UBS, Somerley, the Share Registrar or any of their respective directors or agents or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the WHITE Form of Acceptance and the PINK Form of Acceptance form part of the terms of the Share Offer and the Option Offer, respectively.

(c) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.

(d) The Share Offer and the Option Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Qualifying WHB Shareholder or WHB Optionholder will constitute such Qualifying WHB Shareholder's or WHB Optionholder's (as the case may be) agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer or Option Offer (as the case may be).

(e) Due execution of a WHITE Form of Acceptance will constitute an authority to OCBC, the Offeror, BofAML, J.P. Morgan or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the WHB Share(s) in respect of which such person or persons has/have accepted the Share Offer.

(f) The settlement of the consideration to which any Qualifying WHB Shareholder or WHB Optionholder is entitled under the Share Offer and the Option Offer, respectively, will be implemented in full in accordance with

the terms of the Share Offer and the Option Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying WHB Shareholder or WHB Optionholder.

(g) Any Qualifying WHB Shareholders or WHB Optionholders accepting the Share Offer or the Option Offer, respectively, will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(h) In making their decision, Qualifying WHB Shareholders and WHB Optionholders must rely on their own examination of the WHB Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the OCBC, the Offeror, WHB, BofAML, J.P. Morgan, Goldman Sachs, KPMG Corporate Finance, Nomura, UBS, or their respective professional advisers. Qualifying WHB Shareholders and WHB Optionholders should consult their own professional advisers for professional advice.

(i) The making of the Offers to the overseas Qualifying WHB Shareholders or WHB Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The overseas Qualifying WHB Shareholders and WHB Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas Qualifying WHB Shareholder and WHB Optionholder who wishes to accept the Share Offer and Option Offer, respectively, to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such overseas Qualifying WHB Shareholders and WHB Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas Qualifying WHB Shareholders and WHB Optionholders in respect of the relevant jurisdictions. The overseas Qualifying WHB Shareholders and WHB Optionholders are recommended to seek professional advice on deciding whether or not to accept the Share Offer and Option Offer, respectively.

(j) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.

12. INTERPRETATION

(a) A reference in this Composite Document to a Qualifying WHB Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of WHB Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(b) A reference in this Composite Document and the Forms of Acceptance to the Offers, the Share Offer or the Option Offer shall include any extension and/or revision thereof.

(c) Reference to the Share Offer or the Option Offer in this Composite Document and in the Forms of Acceptance shall include any extension and/or revision thereof.

(d) A reference in this Composite Document and the Forms of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

I. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial statements of the WHB Group for each of the three years ended 31 December 2011, 2012 and 2013 respectively, as extracted from the relevant published annual reports of WHB for the three years ended 31 December 2013. The auditor's reports prepared by the Independent Auditor in respect of the WHB Group's financial statements for each of the three years ended 31 December 2011, 2012 and 2013 did not contain any qualification.

Consolidated Income Statement
For the year ended 31st December
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	2013	2012	2011 (restated)[1]
Interest income	**5,932,327**	5,740,989	5,285,132
Interest expense	**(2,593,856)**	(2,787,348)	(2,413,912)
Net interest income	**3,338,471**	2,953,641	2,871,220
Other operating income	**845,592**	812,356	848,105
Net gains from trading and financial instruments designated at fair value through profit or loss	**116,686**	124,873	65,825
Non-interest income	**962,278**	937,229	913,930
Operating income	**4,300,749**	3,890,870	3,785,150
Operating expenses	**(2,236,245)**	(1,851,862)	(1,734,660)
Operating profit before impairment losses and allowances	**2,064,504**	2,039,008	2,050,490
Impairment losses and allowances charged on loans and advances	**(86,347)**	(235,814)	(29,812)
Impairment losses and allowances released from/(charged on) available-for-sale financial assets	**—**	3,626	(18,463)
Operating profit	**1,978,157**	1,806,820	2,002,215
Net gains on revaluation of properties and disposal of tangible fixed assets	**315,520**	185,360	423,095
Net gains on disposal of available-for-sale financial assets	**210,596**	86,604	45,208
Share of net gains of associated companies	**51,257**	40,960	50,326
Profit before taxation	**2,555,530**	2,119,744	2,520,844
Taxation	**(368,407)**	(317,383)	(372,191)
Profit for the year	**2,187,123**	1,802,361	2,148,653
Attributable to:			
Equity shareholders of the Bank	**2,187,123**	1,802,361	2,148,895
Non-controlling interests	**—**	—	(242)
Profit for the year	**2,187,123**	1,802,361	2,148,653
	HK$	**HK$**	**HK$**
Earnings per share			
Basic	**7.17**	6.00	7.24
Diluted	**7.12**	5.96	7.17

Consolidated Balance Sheet
As at 31st December
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	2013	2012	2011 (restated)[1]
ASSETS			
Cash and balances with banks, central banks and other financial institutions	**7,564,466**	7,211,390	9,160,862
Placements with banks, central banks and other financial institutions	**19,216,094**	16,832,550	24,426,296
Trading assets	**2,440,744**	8,417,553	3,079,836
Financial assets designated at fair value through profit or loss	**8,221,040**	9,879,170	4,820,918
Advances to customers and other accounts	**142,356,699**	120,919,211	114,890,980
Held-to-maturity investments	**4,391,766**	2,355,665	—
Available-for-sale financial assets	**24,163,415**	24,640,249	24,405,751
Investments in associated companies	**252,554**	229,723	249,252
Tangible fixed assets			
—Investment properties	**163,100**	899,342	589,772
—Other properties, plants and equipment	**4,263,426**	4,633,905	4,279,921
Goodwill	**1,306,430**	1,306,430	1,306,430
Current tax recoverable	**7,322**	4,689	7,880
Deferred tax assets	**28,833**	33,992	30,893
Total assets	**214,375,889**	197,363,869	187,248,791
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	**3,258,322**	1,091,462	808,469
Deposits from customers	**177,909,960**	165,935,458	157,754,438
Certificates of deposit issued	**4,186,223**	2,563,550	2,756,649
Trading liabilities	**773,110**	552,174	1,082,405
Current tax payable	**207,753**	152,588	166,876
Deferred tax liabilities	**149,093**	174,020	152,892
Other accounts and provisions	**3,021,929**	2,410,407	2,585,523
Subordinated liabilities	**3,169,279**	4,950,430	4,685,528
Total liabilities	**192,675,669**	177,830,089	169,992,780
Share capital	**307,425**	302,163	298,812
Reserves	**21,392,795**	19,231,617	16,957,199
Total equity	**21,700,220**	19,533,780	17,256,011
Total equity and liabilities	**214,375,889**	197,363,869	187,248,791

Note:

(1) Comparative figures for the years ended 31 December 2011 have been restated to conform with the amendment to HKAS 12 "Income taxes—Deferred tax: Recovery of underlying assets" retrospectively in its financial statements for the year ended 31 December 2012, details of which are set out in note 4 under "Notes to the Financial Statements" to WHB's 2012 annual report.

For the three years ended 31 December 2011, 2012 and 2013, total dividends of HK$1.80 per WHB Share, HK$2.08 per WHB Share and HK$2.08 per WHB Share, respectively, have been declared and were paid. The amount absorbed by dividends for the three years ended 31 December 2011, 2012 and 2013 are as set out below:

	2013	2012	2011
Interim Dividend paid (in HK'000)	141,415	138,292	136,940
Final Dividend paid (in HK'000)	498,028	489,504	400,408
Total Dividends paid (in HK'000)	639,443	627,796	537,348

There were no exceptional items because of size, nature or incidence in respect of the consolidated income statement of the WHB Group for each of the three years ended 31 December 2011, 2012 and 2013.

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE WHB GROUP

The following is the full text of the audited consolidated financial statements of the WHB Group for the year ended 31 December 2013 (the "**Financial Statements**") as extracted from the annual report of WHB for the year ended 31 December 2013. Capitalised terms used in the Financial Statements have the meanings ascribed to them in the Financial Statements.

Consolidated Income Statement
For the year ended 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	2013	2012
Interest income	5(a)	**5,932,327**	5,740,989
Interest expense	5(b)	**(2,593,856)**	(2,787,348)
Net interest income		**3,338,471**	2,953,641
Other operating income	5(c)	**845,592**	812,356
Net gains from trading and financial instruments designated at fair value through profit or loss	5(d)	**116,686**	124,873
Non-interest income		**962,278**	937,229
Operating income		**4,300,749**	3,890,870
Operating expenses	5(f)	**(2,236,245)**	(1,851,862)
Operating profit before impairment losses and allowances		**2,064,504**	2,039,008
Impairment losses and allowances charged on loans and advances	17(e)	**(86,347)**	(235,814)
Impairment losses and allowances released from available-for-sale financial assets	19(b)	**—**	3,626
Operating profit		**1,978,157**	1,806,820
Net gains on revaluation of properties and disposal of tangible fixed assets	6(a)	**315,520**	185,360
Net gains on disposal of available-for-sale financial assets	6(b)	**210,596**	86,604
Share of net gains of associated companies	21	**51,257**	40,960
Profit before taxation		**2,555,530**	2,119,744
Taxation	7(a)	**(368,407)**	(317,383)
Profit for the year attributable to equity shareholders of the Bank	8	**2,187,123**	1,802,361
Earnings per share	12	**HK$**	HK$
Basic		**7.17**	6.00
Diluted		**7.12**	5.96

The notes on pages II-10 to II-118 form part of these financial statements. Details of dividends payable to equity shareholders of the Bank are set out in note 9.

Consolidated Statement of Comprehensive Income
For the year ended 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	2013	2012
Profit for the year		**2,187,123**	1,802,361
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss			
—Surplus on revaluation of bank premises	22	**413,394**	604,853
—Deferred taxes	7(d)	**(38,054)**	(41,782)
		375,340	563,071
Items that will be reclassified subsequently to profit or loss			
—Exchange adjustments on translation of financial statements of subsidiaries		**86,888**	(375)
		86,888	(375)
Available-for-sale financial assets			
—Fair value changes to equity			
—on debt securities		**(231,880)**	278,291
—on equity securities		**46,654**	27,171
—Transfer to consolidated income statement			
—gains on disposal	6(b)	**(83,121)**	(61,269)
—Deferred taxes	7(d)	**46,255**	(38,010)
		(222,092)	206,183
		(135,204)	205,808
Other comprehensive income for the year, net of tax		**240,136**	768,879
Total comprehensive income for the year attributable to equity shareholders of the Bank		**2,427,259**	2,571,240

The notes on pages II-10 to II-118 form part of these financial statements.

Consolidated Balance Sheet
As at 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	2013	2012
ASSETS			
Cash and balances with banks, central banks and other financial institutions	13	**7,564,466**	7,211,390
Placements with banks, central banks and other financial institutions	14	**19,216,094**	16,832,550
Trading assets	15	**2,440,744**	8,417,553
Financial assets designated at fair value through profit or loss	16	**8,221,040**	9,879,170
Advances to customers and other accounts	17(a)	**142,356,699**	120,919,211
Held-to-maturity investments	18	**4,391,766**	2,355,665
Available-for-sale financial assets	19	**24,163,415**	24,640,249
Investments in associated companies	21	**252,554**	229,723
Tangible fixed assets	22		
—Investment properties		**163,100**	899,342
—Other properties, plants and equipment		**4,263,426**	4,633,905
Goodwill	23	**1,306,430**	1,306,430
Current tax recoverable	7(c)	**7,322**	4,689
Deferred tax assets	7(d)	**28,833**	33,992
Total assets		**214,375,889**	197,363,869
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	24	**3,258,322**	1,091,462
Deposits from customers	25	**177,909,960**	165,935,458
Certificates of deposit issued	26	**4,186,223**	2,563,550
Trading liabilities	27	**773,110**	552,174
Current tax payable	7(c)	**207,753**	152,588
Deferred tax liabilities	7(d)	**149,093**	174,020
Other accounts and provisions	28	**3,021,929**	2,410,407
Subordinated liabilities	29	**3,169,279**	4,950,430
Total liabilities		**192,675,669**	177,830,089
Share capital	31(a)	**307,425**	302,163
Reserves		**21,392,795**	19,231,617
Total equity		**21,700,220**	19,533,780
Total equity and liabilities		**214,375,889**	197,363,869

The notes on pages II-10 to II-118 form part of these financial statements.

Balance Sheet
As at 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	2013	2012
ASSETS			
Cash and balances with banks, central banks and other financial institutions	13	**1,412,880**	1,166,998
Placements with banks, central banks and other financial institutions	14	**10,681,729**	11,812,552
Trading assets	15	**2,445,585**	8,429,409
Financial assets designated at fair value through profit or loss	16	**8,221,040**	9,879,170
Advances to customers and other accounts	17(a)	**90,241,857**	77,618,638
Amounts due from subsidiaries	36(b)(iii)	**16,453,343**	12,173,019
Held-to-maturity investments	18	**3,273,572**	991,778
Available-for-sale financial assets	19	**18,573,443**	20,110,604
Investments in subsidiaries	20	**2,977,375**	3,032,126
Investments in associated companies	21	**204,987**	210,650
Tangible fixed assets	22		
—Other properties, plants and equipment		**3,047,245**	2,705,277
Goodwill	23	**847,422**	847,422
Total assets		**158,380,478**	148,977,643
EQUITY AND LIABILITIES			
Deposits and balances of banks, central banks and other financial institutions	24	**2,983,860**	370,016
Deposits from customers	25	**123,681,929**	118,608,105
Certificates of deposit issued	26	**4,186,223**	2,563,550
Trading liabilities	27	**776,248**	552,911
Current tax payable	7(c)	**130,002**	93,677
Deferred tax liabilities	7(d)	**64,256**	103,111
Other accounts and provisions	28	**1,814,614**	1,448,200
Amounts due to subsidiaries	36(b)(iii)	**5,118,100**	6,546,422
Subordinated liabilities	29	**3,169,279**	4,950,430
Total liabilities		**141,924,511**	135,236,422
Share capital	31(a)	**307,425**	302,163
Reserves	31(b)	**16,148,542**	13,439,058
Total equity		**16,455,967**	13,741,221
Total equity and liabilities		**158,380,478**	148,977,643

The notes on pages II-10 to II-118 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	2013											
	At 1st January	Share issued and share premium under Share Option Scheme (Note 31(a))	Share issued and share premium under Employee Incentive Plan (Note 5(f))	Share issued and share premium in lieu of dividends	Dividends approved in respect of the previous year (Note 9(b))	Dividends declared in respect of the current year (Note 9(a))	Disposal of bank premises	Disposal of subsidiary	Share of changes in associated companies	Transfer to/(from) reserve	Total comprehensive income for the year	At 31st December
Share capital	302,163	25	262	4,975	—	—	—	—	—	—	—	307,425
Share premium	1,041,643	1,070	11,475	351,560	—	—	—	—	—	—	—	1,405,748
Capital reserve	295,705	—	—	—	—	—	—	—	—	3,371	—	299,076
Statutory reserve	286,407	—	—	—	—	—	—	—	—	27,617	—	314,024
General reserve	2,206,672	—	—	—	—	—	—	—	—	—	86,888	2,293,560
Bank premises revaluation reserve	2,492,275	—	—	—	—	—	(5,710)	(698,617)	—	(30,032)	375,340	2,133,256
Investment revaluation reserve	404,338	—	—	—	—	—	—	—	1,037	—	(222,092)	183,283
Capital redemption reserve	769	—	—	—	—	—	—	—	—	—	—	769
Unappropriated profits	12,503,808	—	—	—	(489,808)	(141,415)	5,710	698,617	—	(956)	2,187,123	14,763,079
Total equity	19,533,780	1,095	11,737	356,535	(489,808)	(141,415)	—	—	1,037	—	2,427,259	21,700,220

	2012											
	As previously reported as at 1st January	Prior year adjustments in respect of deferred tax	As restated as at 1st January	Share issued and share premium under Share Option Scheme (Note 31(a))	Share issued and share premium under Employee Incentive Plan (Note 5(f))	Share issued and share premium in lieu of dividends	Dividends approved in respect of the previous year (Note 9(b))	Dividends declared in respect of the current year (Note 9(a))	Share of changes in associated companies	Transfer to/(from) reserve	Total comprehensive income for the year	At 31st December
Share capital	298,812	—	298,812	110	153	3,088	—	—	—	—	—	302,163
Share premium	800,412	—	800,412	2,777	13,284	225,170	—	—	—	—	—	1,041,643
Capital reserve	283,888	—	283,888	—	—	—	—	—	—	11,817	—	295,705
Statutory reserve	286,407	—	286,407	—	—	—	—	—	—	—	—	286,407
General reserve	2,207,047	—	2,207,047	—	—	—	—	—	—	—	(375)	2,206,672
Bank premises revaluation reserve	1,665,547	291,181	1,956,728	—	—	—	—	—	—	(27,524)	563,071	2,492,275
Investment revaluation reserve	197,499	—	197,499	—	—	—	—	—	752	(96)	206,183	404,338
Capital redemption reserve	769	—	769	—	—	—	—	—	—	—	—	769
Unappropriated profits	11,163,636	60,813	11,224,449	—	—	—	(400,513)	(138,292)	—	15,803	1,802,361	12,503,808
Total equity	16,904,017	351,994	17,256,011	2,887	13,437	228,258	(400,513)	(138,292)	752	—	2,571,240	19,533,780

The notes on pages II-10 to II-118 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

	Notes	2013	2012
Net cash inflow/(outflow) from operating activities	34(a)	**2,061,928**	(11,585,986)
Investing activities			
Purchase of held-to-maturity and available-for-sale financial assets		**(5,825,607)**	(11,276,566)
Sale and redemption of held-to-maturity and available-for-sale financial assets		**5,648,751**	10,547,511
Loans repaid by an associated company	21	**5,663**	46,521
Disposal of subsidiary	34(c)	**1,602,106**	—
Purchase of properties and equipment		**(69,511)**	(141,424)
Sale of properties and equipment		**73,455**	56,042
Net cash inflow/(outflow) from investing activities		**1,434,857**	(767,916)
Financing activities			
Redemption of subordinated liabilities		**(1,744,043)**	—
Issue of new shares under Share Option Scheme	31(a)	**1,095**	3,040
Issue of new shares under Employee Incentive Plan	31(a)	**262**	—
Dividends paid		**(274,688)**	(310,547)
Dividends received from associated company		**23,800**	14,720
Interest paid on subordinated liabilities		**(302,820)**	(353,810)
Net cash outflow from financing activities		**(2,296,394)**	(646,597)
Increase/(decrease) in cash and cash equivalents		**1,200,391**	(13,000,499)
Cash and cash equivalents at 1st January		**19,132,435**	32,140,913
Effects of foreign exchange rate changes		**88,144**	(7,979)
Cash and cash equivalents at 31st December	34(b)	**20,420,970**	19,132,435
Analysis of the balances of cash and cash equivalents			
Cash and balances with banks, central banks and other financial institutions		**6,535,315**	7,050,385
Placements with banks, central banks and other financial institutions with an original maturity within three months		**12,174,329**	7,152,569
Treasury bills with an original maturity within three months		**1,711,326**	4,929,481
		20,420,970	19,132,435
Cash flows from operating activities included:			
Interest received		**5,915,277**	5,665,512
Interest paid		**2,589,971**	2,767,840
Dividend received		**9,126**	8,379

The notes on pages II-10 to II-118 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31st December, 2013
(Expressed in thousands of Hong Kong dollars unless otherwise stated)

1. Principal activities

The Bank and its subsidiaries (together referred to as "the Group") are engaged in commercial banking and related financial services.

2. Principal accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Bank. The adoption of these new and revised HKFRSs do not result in significant changes to the Group's and the Bank's accounting policies applied in these financial statements for the year presented. Note 4 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31st December, 2013 comprise the Bank and its subsidiaries and the Group's interest in associated companies. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading, designated at fair value through profit or loss and available-for-sale (note 2(f)(ii));
- investment property (note 2(k));
- other freehold land and buildings (note 2(k)); and
- other leasehold land and buildings, for which the fair values cannot be measured separately at the inception of the lease and the entire lease is classified as finance lease (notes 2(k) and 2(l)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of financial assets (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associated company (see note 2(d)).

In the Bank's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, if any (see note 2(o)).

(d) Associated companies

An associated company is an entity in which the Group or Bank has significant influence, but not control, or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associated company is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted for any excess of the Group's share of the acquisition-date fair values of the associated company's identifiable net assets over the cost of the investment (if any). Therefore, the investment is adjusted for the post acquisition change in the Group's share of the associated company's net assets and any impairment loss relating to the investment (see notes 2(e) and 2(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the associated companies and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax results of the associated companies' other comprehensive income is recognised in the consolidated statement of comprehensive income.

Unrealised profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

When the Group ceases to have significant influence over an associated company, it is accounted for as a disposal of the entire interest in that associated company, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associated company at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Bank's balance sheet, its investments in associated companies are stated at cost less impairment losses, if any (note 2(o)).

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (note 2(o)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and financial liabilities at fair value through profit or loss is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded.

(ii) Classification

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition, but exclude those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Group has the option to designate financial instruments at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is not prohibited.

Financial assets and financial liabilities under this category are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or net payment and the carrying value is included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (1) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (2) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (3) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise loans and advances to customers and banks, and placements with banks, central banks and other financial institutions.

Securities classified as loans and receivables typically comprise securities issued by the same customers with whom the Group has a lending relationship that are not quoted in an active market. Investment decisions for credit substitute securities are subject to the same credit approval processes as loans, and the Group bears the same customer risk as it does for loans extended to those customers. Additionally the yield and maturity terms are generally directly negotiated by the Group with the issuer. These securities include commercial paper, short term debentures and preference shares issued by the borrower.

Loans and receivables and securities classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (note 2(o)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity, other than (1) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; and (2) those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any (note 2(o)).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and re-measured at fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in the income statement.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (note 2(o)). Interest income from debt securities calculated using the effective interest method and dividend income from equity securities are recognised in the income statement in accordance with the policies set out in notes 5(a) and 5(c) respectively.

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to the income statement.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker or dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Group uses the weighted average method to determine realised gains or losses to be recognised in profit or loss on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(vi) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (1) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (2) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

(g) Repurchase and reverse repurchase transactions

Assets sold subject to a simultaneous agreement to repurchase these assets at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Assets purchased under agreements to resell (reverse repurchase agreements) are reported not as purchases of the assets, but as receivables and are carried in the balance sheet at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised as interest income and interest expense respectively, over the life of each agreement using the effective interest method.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the income statement on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Cash rebates granted in relation to residential mortgage loans are capitalised and amortised to the income statement over their expected life.

For impaired financial assets, the accrual of interest income based on the original terms of the financial assets is discontinued, but any increase in the present value of impaired financial assets due to the passage of time is reported as interest income.

(ii) Fees and commission income

Fees and commission income is recognised in the income statement when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight line basis over the commitment period.

(iii) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned. Commission paid to dealers for acquisition of finance lease loans or hire purchase contracts is included in the carrying value of the assets and amortised to the income statement over the expected life of the lease as an adjustment to interest income.

(iv) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals receivable are recognised as income in the accounting period in which they are earned.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising

from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met.

In the case of current tax assets and liabilities, the Bank and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(j) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of overseas operation are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the reserve.

On disposal of an overseas operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(k) Tangible fixed assets and depreciation

(i) Bank premises that are held for the Group's administrative use are stated in the balance sheet at their revalued amount, being their fair values at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity by professional qualified valuers, or at directors' valuation by reference to open market value to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Changes arising on the revaluation are generally dealt with in other comprehensive income and are accumulated separately in equity in the bank premises revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

(ii) Bank premises that are not held for the Group's administrative use are stated in the balance sheet at cost or at directors' valuation, by reference to an independent professional valuation, less accumulated depreciation and impairment losses. In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80A of HKAS 16, *Property, plant and equipment,* issued by the HKICPA, with the effect that bank premises that are not held for administrative use have not been revalued to fair value at the balance sheet date.

(iii) Gains or losses arising from the retirement or disposal of bank premises are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to the income statement.

(iv) Equipment, comprising furniture, plant and other equipment, is stated at cost less depreciation calculated on a straight-line basis to write off the assets over their estimated useful lives, which are generally between three to ten years.

(v) No amortisation is provided on freehold land. Leasehold land (note 2(l)) is amortised in equal annual instalments over the remaining term of the lease. Buildings are depreciated by equal instalments over the estimated useful lives which in no case exceed fifty years.

(vi) Investment properties are land and/or buildings which are owned and/or held under a leasehold interest (note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use, which are stated in the balance sheet at their open market values which are assessed annually by professional qualified valuers. Any gain or loss arising from a change in fair value or from the retirement or disposal of investment properties is recognised in the income statement.

(l) Finance and operating leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Finance leases

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the balance sheet as "Advances to customers". Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(o).

(iii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(k)(ii) except where the asset is classified as an investment property. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(o). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(h)(iv).

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (note 2(k)(vi)).

(m) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Group's accounting policy set out in note 2(o), impairment allowances for impaired loans and advances are maintained

after taking into account the net realisable value of the repossessed assets. Repossessed assets continue to be treated as securities for loans and advances. The Group does not hold the repossessed assets for its own use.

Repossessed assets are recorded at the lower of their carrying amount of the related loans and advances and fair value less costs to sell at the date of exchange. They are not depreciated or amortised.

(n) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee to customers, the fair value of the guarantee is initially recognised as deferred income within other liabilities. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where the Bank issues a financial guarantee to its subsidiaries, the fair value of the guarantee is estimated and capitalised as the cost of investment in subsidiaries and deferred income within "Other accounts and provisions".

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(n)(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in other liabilities in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Bank has a legal or constructive obligation, complaint or legal claim, arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

In assessing the need for collective loan loss allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the income statement. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the advances and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or overdue.

(ii) Held-to-maturity investments

Impairment on held-to-maturity investments is considered at both individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

All significant assets found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(iii) Available-for-sale financial assets

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the investment revaluation reserve is reclassified to the income statement. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity securities and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the income statement.

(iv) Other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- tangible fixed assets (other than properties carried at revalued amounts);
- investments in subsidiaries and associated companies; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- *Reversals of impairment losses*

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(v) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting,* in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (notes 2(o)(i) to (iv)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(p) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(3) both entities are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in note 2(p)(i); or

(7) a person identified in note 2(p)(i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks, central banks and other financial institutions, and short-term, highly liquid inter-bank placements and investments that are readily convertible into

known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Balances of banks, central banks and other financial institutions that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purposes of the cash flow statement.

(s) Employee benefits

(i) Salaries, annual bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Funds Scheme Ordinance are recognised as an expense in the income statement when incurred.

(iii) When the Group grants employees options to acquire shares of the Bank, the considerations received are recognised in the balance sheet as "Other accounts and provisions" at the date of grant. The fair value of the options is measured at the grant date and is charged to the income statement and credited to shareholders' funds between the grant date and the vesting date. When the options are exercised, shareholders' funds are increased by the amount of the proceeds and consideration received.

(iv) When the Group grants employees awards to acquire shares of the Bank under the Employee Incentive Plan ("EIP"), the fair value of the awards is measured at the grant date and is charged to the income statement and credited to shareholders' funds between the grant date and the vesting date. The cash amount equal to the dividend that would have been paid during the period up to vesting will be charged to the income statement as bonus expenses on an accruals basis.

3. Accounting estimates and judgements

Notes 22, 23, 38 and 39 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, fair value of share options granted and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Key sources of estimation uncertainty

Impairment losses

(i) Loans and advances

Loan portfolios are reviewed periodically to assess whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment is described in accounting policy (note 2(o)). If management has determined, based on their judgement, that objective evidence of impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Group. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(ii) Available-for-sale equity securities

The Group determines that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of when a decline in fair value below cost is not recoverable within a reasonable time period is judgmental by nature, so profit and loss could be affected by differences in this judgement.

(b) Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below:

(i) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold to maturity as held-to-maturity investments. In making this judgement, the Group evaluates its intention and ability to hold such investments till maturity.

(ii) Investment property

The Group has temporarily sub-let certain vacant properties but has decided not to treat the properties as investment properties because it is not the Group's intention to hold the properties in the long-term for capital appreciation or rental income. Accordingly, the properties has still been treated as a building held for own use.

4. Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Bank. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements—Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7, *Disclosures—Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impacts of the adoption of other new or amended HKFRSs, are as follows:

Amendments to HKAS 1, *Presentation of financial statements—Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation—Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1st January, 2013.

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 20 and 21.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 22 and 39. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amount are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

Amendments to HKFRS 7, *Disclosures—Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments*: *Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities in note 37(a).

5. Operating profit

(a) Interest income

	2013	2012
Interest income arising from:		
—financial assets not measured at fair value through profit or loss	**5,408,582**	5,079,211
—trading assets	**265,594**	394,057
—financial assets designated at fair value through profit or loss	**258,151**	267,721
	5,932,327	5,740,989
of which:		
—interest income from listed investments	**496,500**	514,591
—interest income from unlisted investments	**450,099**	450,115
—interest income from impaired financial assets	**25,289**	11,165

The above interest income from impaired financial assets includes interest income on unwinding of discount on loan impairment loss of HK$12,384,000 (2012: HK$7,129,000) (note 17(e)) for the year ended 31st December, 2013.

(b) Interest expense

	2013	2012
Interest expense arising from:		
—financial liabilities not measured at fair value through profit or loss	**2,180,862**	2,363,640
—trading liabilities	**226,468**	236,747
—financial liabilities designated at fair value through profit or loss	**186,526**	186,961
	2,593,856	2,787,348
of which:		
—interest expense for certificates of deposit issued repayable within 5 years	**53,243**	45,656
—interest expense for deposits from customers	**1,991,136**	2,134,802
—interest expense for deposits and balances of banks, central banks and other financial institutions	**20,190**	16,331
—interest expense for subordinated liabilities (note 34(a))	**302,820**	353,810

(c) Other operating income

	2013	2012
Fees and commission		
Credit commission and fees	**174,051**	175,685
Credit card related fees	**173,442**	155,400
Trade related fees	**66,323**	60,662
Insurance commission	**94,058**	83,925
Stockbroking fees	**120,744**	102,015
Trust fees	**41**	41
Wealth management fees	**22,410**	21,893
Other fees and commission income	**100,551**	112,291
Less: Fees and commission expenses	**(90,232)**	(82,037)
	661,388	629,875
Gains arising from dealing in foreign currencies (note 5(e))	**136,336**	140,908
Gains on other dealing activities (note 5(e))	**4,098**	2,105
Dividend income from unlisted available-for-sale financial assets	**8,081**	7,693
Dividend income from listed available-for-sale financial assets	**736**	587
Dividend income from listed trading investments	**238**	164
Rental income from investment properties less direct outgoings of HK$1,898,000 (2012: HK$1,246,000)	**16,393**	16,460
Others	**18,322**	14,564
	845,592	812,356
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	**260,465**	256,381
—fees and commission expenses	**(8)**	(8)
	260,457	256,373

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

	2013	2012
Net realised and unrealised gains on trading financial instruments (note 5(e))	**275,918**	4,901
Net realised and unrealised (losses)/gains on financial instruments designated at fair value through profit or loss:		
—unrealised gains/(losses) on subordinated liabilities	**38,160**	(274,130)
—realised and unrealised gains on collateralised debt obligations ("CDO")	**14,237**	50,297
—realised and unrealised gains on debt securities issued by bank in Iceland (note 19(b))	**—**	3,512
—realised and unrealised (losses)/gains on other financial instruments	**(211,629)**	340,293
	(159,232)	119,972
	116,686	124,873

(e) Net trading income

	2013	2012
Gains arising from dealing in foreign currencies (note 5(c))	**136,336**	140,908
Gains on other dealing activities (note 5(c))	**4,098**	2,105
Net realised and unrealised gains on trading financial instruments (note 5(d))	**275,918**	4,901
	416,352	147,914

(f) Operating expenses

	2013	2012
Staff costs		
Salaries and other staff costs	**1,279,744**	1,124,275
Retirement benefit costs (note 38(a))	**72,274**	70,521
EIP—fair value of awards (note 34(a))	**11,475**	13,284
EIP—bonus	**3,928**	3,832
	1,367,421	1,211,912
Premises and equipment expenses, excluding depreciation	**270,733**	241,104
Depreciation (notes 22 & 34(a))	**214,360**	210,417
Other expenses		
Auditor's remuneration		
Audit services	**5,135**	5,003
Other services	**2,077**	3,631
Others	**376,519**	179,795
	383,731	188,429
	2,236,245	1,851,862

6. (a) Net gains on revaluation of properties and disposal of tangible fixed assets

	2013	2012
Net gains on disposal of subsidiary	**250,314**	—
Unrealised revaluation gains of investment properties (note 22)	**11,900**	158,676
Net gains on disposal of tangible fixed assets	**53,306**	26,684
	315,520	185,360

(b) Net gains on disposal of available-for-sale financial assets

	2013	2012
Net unrealised gains transferred from investment revaluation reserve upon disposal	**83,121**	61,269
Net gains on disposal of available-for-sale financial assets	**127,475**	25,335
	210,596	86,604

7. Taxation

(a) Taxation in the consolidated income statement represents:

	2013	2012
Current tax—Provision for Hong Kong profits tax		
Provision for the year	**311,086**	263,136
(Overprovision)/underprovision in respect of prior years	**(15,971)**	2,486
	295,115	265,622
Current tax—Provision for tax outside Hong Kong		
Provision for the year	**88,123**	119,854
Overprovision in respect of prior years	**(6,517)**	(6,330)
	81,606	113,524
Deferred taxation		
Origination and reversal of temporary differences	**(8,314)**	(61,763)
	368,407	317,383

The provision for Hong Kong profits tax for 2013 is calculated at 16.5% (2012: 16.5%) of the Group's estimated assessable profits for the year. 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.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2013		2012	
		%		%
Profit before tax	**2,555,530**	**100.00**	2,119,744	100.00
Notional tax on profit before tax, calculated at the rates applicable to profits in the region concerned	**418,373**	**16.37**	345,445	16.30
Tax effect of non-deductible expenses	**23,523**	**0.92**	6,986	0.33
Tax effect of non-taxable revenue	**(94,079)**	**(3.68)**	(33,040)	(1.56)
Tax effect of unused tax losses not recognised	**37**	**—**	32	—
Tax effect of unused tax losses recognised	**(5)**	**—**	—	—
Overprovision in respect of prior years	**(22,489)**	**(0.88)**	(3,844)	(0.18)
Others	**43,047**	**1.68**	1,804	0.08
Actual tax expense	**368,407**	**14.41**	317,383	14.97

(c) Current tax recoverable and payable

The components of current tax recoverable and payable in the balance sheets are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Current tax recoverable				
Provision for Hong Kong profits tax	**5,490**	8,245	**—**	—
Provisional profits tax paid	**(12,812)**	(12,920)	**—**	—
	(7,322)	(4,675)	**—**	—
Provision for tax outside Hong Kong	**—**	(14)	**—**	—
	(7,322)	(4,689)	**—**	—
Current tax payable				
Provision for Hong Kong profits tax	**299,016**	254,891	**289,157**	227,178
Provisional profits tax paid	**(169,406)**	(160,173)	**(162,606)**	(137,511)
	129,610	94,718	**126,551**	89,667
Provision for tax outside Hong Kong	**78,143**	57,870	**3,451**	4,010
	207,753	152,588	**130,002**	93,677

All current tax recoverable and payable are expected to be settled within one year.

(d) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the balance sheets and the movements during the year are as follows:

	The Group					
	2013					
	Depreciation allowances in excess of related depreciation	Revaluation of properties	Revaluation of available-for-sale financial assets	Collective impairment allowances for loans and advances	Others	Total
At 1st January	**10,622**	**105,522**	**76,603**	**(5,872)**	**(46,847)**	**140,028**
Through disposal of subsidiary	**(3,253)**	**—**	**—**	**—**	**—**	**(3,253)**
(Credited)/charged to consolidated income statement	**(1,506)**	**—**	**—**	**24,058**	**(30,866)**	**(8,314)**
(Credited)/charged to reserves	**—**	**38,054**	**(46,255)**	**—**	**—**	**(8,201)**
At 31st December	**5,863**	**143,576**	**30,348**	**18,186**	**(77,713)**	**120,260**

	The Group					
	2012					
	Depreciation allowances in excess of related depreciation	Revaluation of properties	Revaluation of available-for-sale financial assets	Collective impairment allowances for loans and advances	Others	Total
At 1st January	15,422	63,740	38,593	34,145	(29,901)	121,999
Credited to consolidated income statement	(4,800)	—	—	(40,017)	(16,946)	(61,763)
Charged to reserves	—	41,782	38,010	—	—	79,792
At 31st December	10,622	105,522	76,603	(5,872)	(46,847)	140,028

	The Bank					
	2013					
	Depreciation allowances in excess of related depreciation	Revaluation of properties	Revaluation of available-for-sale financial assets	Collective impairment allowances for loans and advances	Others	Total
At 1st January	**34,680**	**16,137**	**69,251**	**(12,396)**	**(4,561)**	**103,111**
(Credited)/charged to income statement	**(5,162)**	**—**	**—**	**706**	**707**	**(3,749)**
(Credited)/charged to reserves	**—**	**2,486**	**(37,592)**	**—**	**—**	**(35,106)**
At 31st December	**29,518**	**18,623**	**31,659**	**(11,690)**	**(3,854)**	**64,256**

	The Bank					
	2012					
	Depreciation allowances in excess of related depreciation	Revaluation of properties	Revaluation of available-for-sale financial assets	Collective impairment allowances for loans and advances	Others	Total
At 1st January	37,971	14,389	33,983	(13,293)	(5,937)	67,113
(Credited)/charged to income statement	(3,291)	—	—	897	1,376	(1,018)
Charged to reserves	—	1,748	35,268	—	—	37,016
At 31st December	34,680	16,137	69,251	(12,396)	(4,561)	103,111

	The Group		The Bank	
	2013	2012	2013	2012
Net deferred tax assets recognised on the balance sheets	**(28,833)**	(33,992)	**—**	—
Net deferred tax liabilities recognised on the balance sheets	**149,093**	174,020	**64,256**	103,111
	120,260	140,028	**64,256**	103,111

8. Profit attributable to the shareholders of the Bank

The profit attributable to the shareholders of the Bank includes an amount of HK$2,968,426,000 (2012: HK$1,279,294,000) which has been dealt with in the financial statements of the Bank.

Details of dividends paid and payable to equity shareholders of the Bank are set out in note 9.

9. Dividends

(a) Dividends attributable to the year

	2013	2012
Interim dividend declared and paid of HK$0.46 (2012: HK$0.46) per ordinary share on 307,424,722 shares (2012: 300,635,592 shares)	**141,415**	138,292
Final dividend proposed in respect of the prior year after the balance sheet date of HK$1.62 (2012: HK$1.62) per ordinary share on 307,424,722 shares (2012: 302,162,900 shares)	**498,028**	489,504
	639,443	627,796

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2013	2012
Underprovision of final dividend in respect of the prior year	**304**	105
Final dividend in respect of the prior year, approved and paid during the year, of HK$1.62 (2012: HK$1.34) per ordinary share on 302,162,900 shares (2012: 298,812,308 shares)	**489,504**	400,408
	489,808	400,513

10. Directors' emoluments

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	2013						
	Directors' fee	Salaries and other emoluments	Pension contributions	Performance bonuses	Sub-total	Share-based payments	Total
Chairman							
Patrick Y B FUNG	**629**	**11,504**	**1,104**	**14,796**	**28,033**	**2,792**	**30,825**
Executive directors							
Frank J WANG	**315**	**7,915**	**751**	**11,282**	**20,263**	**1,688**	**21,951**
Michael Y S FUNG	**315**	**6,029**	**619**	**7,916**	**14,879**	**1,396**	**16,275**
Non-executive directors							
Aloysius H Y TSE	**397**	**905**	**—**	**—**	**1,302**	**—**	**1,302**
Ambrose H C LAU	**300**	**623**	**—**	**—**	**923**	**—**	**923**
Brian Gerard ROGAN	**300**	**—**	**—**	**—**	**300**	**—**	**300**
CHENG Hon Kwan	**300**	**320**	**—**	**—**	**620**	**—**	**620**
Louis C W HO	**315**	**50**	**—**	**—**	**365**	**25**	**390**
Stephen Dubois LACKEY	**300**	**200**	**—**	**—**	**500**	**—**	**500**
TUNG Chee Chen	**105**	**—**	**—**	**—**	**105**	**—**	**105**
Billy S K LI	**195**	**553**	**—**	**—**	**748**	**—**	**748**
	3,471	**28,099**	**2,474**	**33,994**	**68,038**	**5,901**	**73,939**

	2012						
	Directors' fee	Salaries and other emoluments	Pension contributions	Performance bonuses	Sub-total	Share-based payments	Total
Chairman							
Patrick Y B FUNG	629	9,194	1,061	10,729	21,613	3,286	24,899
Executive directors							
Frank J WANG	315	6,259	721	7,703	14,998	1,947	16,945
Michael Y S FUNG	315	5,160	595	5,720	11,790	1,643	13,433
Non-executive directors							
Aloysius H Y TSE	397	801	—	—	1,198	—	1,198
Ambrose H C LAU	300	613	—	—	913	—	913
Brian Gerard ROGAN	300	—	—	—	300	—	300
CHENG Hon Kwan	300	320	—	—	620	—	620
Louis C W HO	314	55	—	—	369	31	400
Stephen Dubois LACKEY	300	200	—	—	500	—	500
TUNG Chee Chen	300	—	—	—	300	—	300
	3,470	22,602	2,377	24,152	52,601	6,907	59,508

The above share-based payments are fair value of awards granted under the Group's EIP. The details of these benefits in kind are disclosed under "Employee Incentive Plan" in the "Report of the Directors".

11. Executives' emoluments

The five highest paid individuals include three (2012: three) directors, details of whose emoluments are set out in note 10. The emoluments of the remaining two (2012: two) individuals are as follows:

	2013	2012
Salaries and other emoluments	**6,851**	5,921
Pension contributions	**772**	682
Performance bonuses	**12,699**	11,472
Share-based payments	**662**	430
	20,984	18,505

The emoluments of the two (2012: two) executives are within the following band:

	2013	2012
	Number of executives	Number of executives
HK$ 11,000,001–HK$ 11,500,000	**1**	—
HK$ 10,000,001–HK$ 10,500,000	**—**	1
HK$ 9,500,001–HK$ 10,000,000	**1**	—
HK$ 8,000,001–HK$ 8,500,000	**—**	1
	2	2

12. Earnings per share

The calculation of basic earnings per share is based on profit attributable to the Bank's shareholders of HK$2,187,123,000 (2012: HK$1,802,361,000) and on the weighted average number of ordinary shares of 304,947,637 shares (2012: 300,212,010 shares) in issue during the year.

	2013	2012
	Number of shares of HK$1.00 each	Number of shares of HK$1.00 each
Issued ordinary shares at 1st January	**302,162,900**	298,812,308
Effect of shares issued in lieu of dividends	**2,589,633**	1,293,612
Effect of share option exercised	**15,959**	6,312
Effect of EIP exercised	**179,145**	99,778
Weighted average number of ordinary shares used in calculating basic earnings per share	**304,947,637**	300,212,010

The calculation of diluted earnings per share is based on profit attributable to the Bank's shareholders of HK$2,187,123,000 (2012: HK$1,802,361,000) and on the weighted average number of ordinary shares of 307,032,590 shares (2012: 302,552,293 shares) in issue during the year after adjustment for the effects of all dilutive potential ordinary shares of 2,084,953 shares (2012: 2,340,283 shares).

	2013	2012
	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	**304,947,637**	300,212,010
Deemed exercise of Share Option Scheme	**213,325**	244,763
Deemed exercise of EIP	**1,871,628**	2,095,520
Weighted average number of ordinary shares used in calculating diluted earnings per share	**307,032,590**	302,552,293

13. Cash and balances with banks, central banks and other financial institutions

	The Group		The Bank	
	2013	2012	2013	2012
Cash balances	**954,066**	803,608	**543,232**	412,765
Balances with central banks	**5,233,050**	5,346,490	**35,764**	165,552
Balances with banks	**1,377,350**	1,061,292	**833,884**	588,681
	7,564,466	7,211,390	**1,412,880**	1,166,998

14. Placements with banks, central banks and other financial institutions

	The Group		The Bank	
	2013	2012	2013	2012
Placements with banks	**19,216,094**	16,832,550	**10,681,729**	11,812,552

15. Trading assets

	The Group		The Bank	
	2013	2012	2013	2012
Debt securities:				
Listed in Hong Kong	**348,299**	240,792	**348,299**	240,792
Listed outside Hong Kong	**98,466**	91,671	**98,466**	91,671
	446,765	332,463	**446,765**	332,463
Unlisted	**1,018,831**	7,257,380	**1,018,831**	7,257,380
	1,465,596	7,589,843	**1,465,596**	7,589,843
Equity securities listed in Hong Kong	**7,639**	1,346	**7,085**	943
Total trading securities	**1,473,235**	7,591,189	**1,472,681**	7,590,786
Positive fair values of derivative financial instruments held for trading (note 33(a))	**967,509**	826,364	**972,904**	838,623
	2,440,744	8,417,553	**2,445,585**	8,429,409
Trading debt securities include:				
Treasury bills	**1,101,294**	6,888,084	**1,101,294**	6,888,084
Certificates of deposit held	**—**	111,765	**—**	111,765
Other trading debt securities	**364,302**	589,994	**364,302**	589,994
	1,465,596	7,589,843	**1,465,596**	7,589,843

Trading assets of the Bank include positive fair values of derivative financial instruments transacted with a subsidiary amounting to HK$9,083,000 (2012: HK$17,424,000).

Trading securities analysed by counterparty are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Issued by:				
Sovereigns	**1,101,294**	7,037,133	**1,101,294**	7,037,133
Public sector entities	**4**	12	**—**	—
Banks	**143,435**	228,619	**143,360**	228,595
Corporates	**228,502**	325,425	**228,027**	325,058
	1,473,235	7,591,189	**1,472,681**	7,590,786

16. Financial assets designated at fair value through profit or loss

	The Group		The Bank	
	2013	2012	2013	2012
Debt securities:				
Listed in Hong Kong	**3,072,464**	3,550,532	**3,072,464**	3,550,532
Listed outside Hong Kong	**4,146,761**	5,067,849	**4,146,761**	5,067,849
	7,219,225	8,618,381	**7,219,225**	8,618,381
Unlisted	**1,001,815**	1,260,789	**1,001,815**	1,260,789
	8,221,040	9,879,170	**8,221,040**	9,879,170
Debt securities designated at fair value through profit or loss include:				
Treasury bills	**67,133**	148,513	**67,133**	148,513
Other debt securities designated at fair value through profit or loss	**8,153,907**	9,730,657	**8,153,907**	9,730,657
	8,221,040	9,879,170	**8,221,040**	9,879,170

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

	The Group		The Bank	
	2013	2012	2013	2012
Issued by:				
Sovereigns	**67,133**	148,513	**67,133**	148,513
Public sector entities	**816,776**	865,443	**816,776**	865,443
Banks	**2,256,086**	2,718,359	**2,256,086**	2,718,359
Corporates	**5,081,045**	6,146,855	**5,081,045**	6,146,855
	8,221,040	9,879,170	**8,221,040**	9,879,170

17. Advances to customers and other accounts

(a) Advances to customers and other accounts

	The Group		The Bank	
	2013	2012	2013	2012
Gross advances to customers	**135,323,268**	114,053,811	**83,998,129**	69,554,148
Individual impairment allowances for impaired loans and advances (note 17(e))	**(57,597)**	(81,802)	**(34,885)**	(25,275)
Collective impairment allowances for loans and advances (note 17(e))	**(223,602)**	(256,262)	**(62,806)**	(74,041)
Net advances to customers	**135,042,069**	113,715,747	**83,900,438**	69,454,832
Gross trade bills	**4,870,221**	4,294,629	**4,639,512**	6,640,846
Individual impairment allowances for impaired trade bills (note 17(e))	**(1,102)**	(791)	**(1,102)**	(791)
Collective impairment allowances for trade bills (note 17(e))	**(64)**	(62)	**(40)**	(56)
Net trade bills	**4,869,055**	4,293,776	**4,638,370**	6,639,999
Advances to banks	**—**	765,609	**—**	29,780
Customer liability under acceptances	**295,398**	337,925	**248,113**	287,580
Interest receivable	**598,366**	581,316	**319,661**	355,244
Amount receivable for sale of debt securities	**150,000**	—	**150,000**	—
Other accounts	**1,401,811**	1,224,838	**985,275**	851,203
	142,356,699	120,919,211	**90,241,857**	77,618,638

(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.

	The Group					
	2013			2012		
	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	**2,322,289**	**38.2**	**—**	2,291,326	55.6	—
—Property investment	**20,319,089**	**98.4**	**535**	19,245,115	99.4	535
—Financial concerns	**2,646,191**	**18.5**	**—**	1,736,464	16.3	—
—Stockbrokers	**972,169**	**88.2**	**—**	360,558	88.9	—
—Wholesale and retail trade	**4,482,444**	**36.1**	**3,843**	2,149,660	47.7	1,960
—Manufacturing	**2,566,710**	**49.5**	**27,196**	1,955,481	56.5	32,151
—Transport and transport equipment	**8,595,709**	**87.0**	**16,749**	7,498,540	92.0	17,878
—Information technology	**11,737**	**28.5**	**—**	90,748	4.3	—
—Share financing	**271,927**	**99.1**	**5,020**	259,520	99.6	6,124
—Recreational activities	**52,313**	**—**	**—**	57,037	—	—
—Others	**4,449,946**	**54.7**	**11,065**	3,495,397	53.7	16,810
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	**2,453,155**	**100.0**	**345**	2,503,849	100.0	475
—Advances for the purchase of other residential properties	**23,287,360**	**99.9**	**2,930**	20,034,184	100.0	4,975
—Credit card advances	**256,959**	**0.7**	**3,014**	288,353	0.8	2,078
—Others	**7,824,778**	**68.6**	**63,530**	6,709,165	69.9	65,319
	80,512,776	**82.5**	**134,227**	68,675,397	86.5	148,305
Trade finance	**9,446,963**	**72.1**	**11,768**	8,281,776	65.0	18,642
Advances for use outside Hong Kong						
—Mainland China	**25,900,373**	**58.5**	**397,944**	21,574,823	69.9	321,115
—Macau	**18,483,267**	**91.3**	**50,650**	15,187,321	92.8	23,721
—Others	**979,889**	**25.9**	**—**	334,494	75.7	—
	45,363,529	**71.1**	**448,594**	37,096,638	79.3	344,836
	135,323,268	**78.0**	**594,589**	114,053,811	82.6	511,783

	The Bank					
	2013			2012		
	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	**2,322,289**	**38.2**	**—**	2,291,326	55.6	—
—Property investment	**17,183,969**	**98.1**	**535**	17,215,028	99.3	535
—Financial concerns	**2,646,191**	**18.5**	**—**	1,725,550	15.8	—
—Stockbrokers	**972,169**	**88.2**	**—**	360,558	88.9	—
—Wholesale and retail trade	**4,477,845**	**36.0**	**3,843**	2,144,416	47.6	1,960
—Manufacturing	**2,548,036**	**49.9**	**27,196**	1,955,370	56.5	32,151
—Transport and transport equipment	**8,556,213**	**87.0**	**16,548**	7,329,327	92.1	17,223
—Information technology	**11,737**	**28.5**	**—**	90,748	4.3	—
—Share financing	**271,927**	**99.1**	**5,020**	259,520	99.6	6,124
—Recreational activities	**52,313**	**—**	**—**	57,037	—	—
—Others	**4,239,853**	**53.6**	**10,678**	3,284,221	50.9	16,810
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	**2,453,155**	**100.0**	**345**	2,503,849	100.0	475
—Advances for the purchase of other residential properties	**15,444,893**	**100.0**	**2,069**	14,382,203	100.0	3,471
—Credit card advances	**256,959**	**0.7**	**3,014**	288,353	0.8	2,078
—Others	**5,129,412**	**95.3**	**55,304**	4,349,690	95.0	57,232
	66,566,961	**82.3**	**124,552**	58,237,196	87.2	138,059
Trade finance	**7,016,618**	**64.0**	**11,768**	4,417,595	61.5	18,642
Advances for use outside Hong Kong						
—Mainland China	**9,518,390**	**23.7**	**111,013**	6,644,641	35.3	94,667
—Macau	**26,101**	**100.0**	**26,101**	26,101	100.0	—
—Others	**870,059**	**16.5**	**—**	228,615	64.4	—
	10,414,550	**23.3**	**137,114**	6,899,357	36.5	94,667
	83,998,129	**73.4**	**273,434**	69,554,148	80.5	251,368

(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:

	The Group		The Bank	
	2013	2012	2013	2012
Gross impaired advances to customers	**594,589**	511,783	**273,434**	251,368
Gross impaired advances to customers as a percentage of total advances to customers	**0.44%**	0.45%	**0.33%**	0.36%
Market value of collateral held with respect to impaired advances to customers	**536,675**	435,205	**238,369**	224,532
Individual impairment allowances	**57,597**	81,802	**34,885**	25,275

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 31st December, 2013 and 31st December, 2012.

(d) Net investments in finance leases and hire purchase contracts

Advances to customers include net investment in equipment leased to customers under finance leases and hire purchase contracts having the characteristics of finance leases. The total minimum lease payments receivable under finance leases and hire purchase contracts, and their present values are as follows:

	The Group			
	2013		2012	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Amount receivable:				
Within 1 year	**4,877,412**	**5,457,312**	4,430,994	5,008,801
After 1 year but within 5 years	**7,005,021**	**7,476,250**	6,443,032	6,912,167
After 5 years	**8,396**	**8,586**	16,102	17,016
	11,890,829	**12,942,148**	10,890,128	11,937,984
Unearned future income on finance lease	**—**	**(1,051,319)**	—	(1,047,856)
	11,890,829	**11,890,829**	10,890,128	10,890,128
Individual impairment allowances for impaired loans and advances	**(22,537)**		(12,459)	
Collective impairment allowances for loans and advances	**(9,271)**		(12,045)	
Net investment in finance leases and hire purchase contracts	**11,859,021**		10,865,624	

	The Bank			
	2013		2012	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Amount receivable:				
Within 1 year	**4,806,739**	**5,378,179**	4,234,951	4,798,822
After 1 year but within 5 years	**6,902,214**	**7,364,769**	6,321,220	6,779,280
After 5 years	**450**	**455**	115	117
	11,709,403	**12,743,403**	10,556,286	11,578,219
Unearned future income on finance lease	**—**	**(1,034,000)**	—	(1,021,933)
	11,709,403	**11,709,403**	10,556,286	10,556,286
Individual impairment allowances for impaired loans and advances	**(22,375)**		(10,876)	
Collective impairment allowances for loans and advances	**(8,761)**		(11,022)	
Net investment in finance leases and hire purchase contracts	**11,678,267**		10,534,388	

(e) Impairment allowances for loans and advances

	The Group		
	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 losses (note 5(a))	**(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 17(a))	**1,102**	**64**	**1,166**
Advances to customers (note 17(a))	**57,597**	**223,602**	**281,199**
	58,699	**223,666**	**282,365**

	The Group		
	2012		
	Individual	Collective	Total
At 1st January	55,144	138,332	193,476
Additions	165,336	117,992	283,328
Releases	(47,514)	—	(47,514)
Net charges to consolidated income statement	117,822	117,992	235,814
Unwind of discount of loan impairment losses (note 5(a))	(7,129)	—	(7,129)
Recoveries of advances written off in prior years	40,367	—	40,367
Amounts written off	(123,611)	—	(123,611)
At 31st December	82,593	256,324	338,917
Representing impairment allowances for:			
Trade bills (note 17(a))	791	62	853
Advances to customers (note 17(a))	81,802	256,262	338,064
	82,593	256,324	338,917

	The Bank		
	2013		
	Individual	Collective	Total
At 1st January	**26,066**	**74,097**	**100,163**
Additions	**33,869**	**—**	**33,869**
Releases	**(17,276)**	**(11,251)**	**(28,527)**
Net charges/(releases) to income statement	**16,593**	**(11,251)**	**5,342**
Unwind of discount of loan impairment losses	**(1,312)**	**—**	**(1,312)**
Recoveries of advances written off in prior years	**13,126**	**—**	**13,126**
Amounts written off	**(18,486)**	**—**	**(18,486)**
At 31st December	**35,987**	**62,846**	**98,833**
Representing impairment allowances for:			
Trade bills (note 17(a))	**1,102**	**40**	**1,142**
Advances to customers (note 17(a))	**34,885**	**62,806**	**97,691**
	35,987	**62,846**	**98,833**

	The Bank		
	2012		
	Individual	Collective	Total
At 1st January	19,177	99,643	118,820
Additions	22,295	—	22,295
Releases	(21,249)	(25,546)	(46,795)
Net (releases)/charges to income statement	1,046	(25,546)	(24,500)
Unwind of discount of loan impairment losses	(2,202)	—	(2,202)
Recoveries of advances written off in prior years	18,795	—	18,795
Amounts written off	(10,750)	—	(10,750)
At 31st December	26,066	74,097	100,163
Representing impairment allowances for:			
Trade bills (note 17(a))	791	56	847
Advances to customers (note 17(a))	25,275	74,041	99,316
	26,066	74,097	100,163

(f) Repossessed assets

During the year ended 31st December, 2013, the Group has taken possession of collateral it holds as security as follows:

	The Group		The Bank	
Nature	2013	2012	2013	2012
Properties	**343,200**	38,882	**343,200**	27,832
Vehicles	**22,001**	14,124	**21,880**	13,266
Others	**8,746**	24,939	**6,200**	15,200
	373,947	77,945	**371,280**	56,298

The amount represents the market value of the repossessed assets.

Repossessed assets obtained are intended to be realised in an orderly fashion to repay the impaired advances to customers and are not held for the own use of the Group.

At 31st December, 2013, repossessed assets obtained as securities for impaired advances to customers totalled HK$350,168,000 (2012: HK$19,421,000) and HK$349,748,000 (2012: HK$19,421,000) for the Group and the Bank respectively.

18. Held-to-maturity investments

	The Group		The Bank	
	2013	2012	2013	2012
Held-to-maturity debt securities:				
Listed in Hong Kong	**1,548,050**	701,749	**1,548,050**	701,749
Listed outside Hong Kong	**725,427**	140,869	**725,427**	140,869
	2,273,477	842,618	**2,273,477**	842,618
Unlisted	**2,118,289**	1,513,047	**1,000,095**	149,160
	4,391,766	2,355,665	**3,273,572**	991,778
Held-to-maturity debt securities include:				
Treasury bills	**941,232**	1,363,887	**—**	—
Certificates of deposit held	**518,782**	—	**518,782**	—
Other held-to-maturity debt securities	**2,931,752**	991,778	**2,754,790**	991,778
	4,391,766	2,355,665	**3,273,572**	991,778

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

	The Group		The Bank	
	2013	2012	2013	2012
Issued by:				
Sovereigns	**941,232**	1,363,887	**—**	—
Public sector entities	**150,344**	—	**150,344**	—
Banks	**999,976**	—	**949,976**	—
Corporates	**2,300,214**	991,778	**2,173,252**	991,778
	4,391,766	2,355,665	**3,273,572**	991,778
Market value of listed held-to-maturity debt securities	**2,276,745**	896,988	**2,276,745**	896,988
Fair value of unlisted held-to-maturity debt securities	**2,103,257**	1,503,073	**997,035**	152,909

19. Available-for-sale financial assets

(a) Available-for-sale financial assets

	The Group		The Bank	
	2013	2012	2013	2012
Available-for-sale debt securities:				
Listed in Hong Kong	**2,382,540**	3,244,125	**2,026,594**	2,866,338
Listed outside Hong Kong	**3,755,463**	3,850,973	**3,462,092**	3,592,852
	6,138,003	7,095,098	**5,488,686**	6,459,190
Unlisted	**17,809,373**	17,293,538	**12,945,485**	13,465,691
	23,947,376	24,388,636	**18,434,171**	19,924,881
Available-for-sale equity securities:				
Listed in Hong Kong	**3,760**	3,870	**3,760**	3,870
Listed outside Hong Kong	**126,085**	82,644	**94,552**	61,988
	129,845	86,514	**98,312**	65,858
Unlisted	**86,194**	165,099	**40,960**	119,865
	216,039	251,613	**139,272**	185,723
	24,163,415	24,640,249	**18,573,443**	20,110,604
Available-for-sale debt securities include:				
Treasury bills	**12,235,048**	10,385,938	**8,039,431**	6,694,157
Certificates of deposit held	**868,532**	1,373,608	**834,021**	1,373,608
Other available-for-sale debt securities	**10,843,796**	12,629,090	**9,560,719**	11,857,116
	23,947,376	24,388,636	**18,434,171**	19,924,881

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

	The Group		The Bank	
	2013	2012	2013	2012
Issued by:				
Sovereigns	**12,235,048**	10,466,899	**8,039,431**	6,694,157
Public sector entities	**1,281,575**	1,816,570	**1,238,603**	1,771,426
Banks	**7,119,696**	8,261,228	**6,626,274**	8,236,174
Corporates	**3,527,096**	4,095,552	**2,669,135**	3,408,847
	24,163,415	24,640,249	**18,573,443**	20,110,604

(b) Impairment losses and allowances released from available-for-sale financial assets in the consolidated income statement represent:

	The Group and the Bank	
	2013	2012
Released from debt securities	—	3,626
	—	3,626

The Bank has exposure to bonds issued by two banks in Iceland which are categorised as available-for-sale. As a result of the global financial turmoil and the grant of moratorium order on the two banks in Iceland, the carrying values of the bonds have been substantially impaired, and provisions were made accordingly. Those debt securities were sold in 2012.

20. Investments in subsidiaries

	The Bank	
	2013	2012
Unlisted shares, at cost	**2,977,375**	3,032,126

The following list contains only the particulars of principal subsidiaries:

Name of company	Place of incorporation and operation	Nominal value of issued ordinary shares	Group's effective interest	Percentage held by the Bank	Principal activities
Banco Weng Hang, S.A.	Macau	MOP120,000,000	100%	100%	Banking
Wing Hang Bank (Cayman) Limited	Cayman Islands	US$25,000,000	100%	100%	Banking
Wing Hang Bank (China) Limited	People's Republic of China	RMB1,500,000,000	100%	100%	Banking
Inchroy Credit Corporation Limited	Hong Kong	HK$25,000,000	100%	100%	Deposit Taking and Hire Purchase

Name of company	Place of incorporation and operation	Nominal value of issued ordinary shares	Group's effective interest	Percentage held by the Bank	Principal activities
Wing Hang Finance Company Limited	Hong Kong	HK$130,000,000	100%	100%	Deposit Taking and Hire Purchase
Wing Hang Credit Limited	Hong Kong	HK$20,000,000	100%	100%	Consumer Lending
Wing Hang Insurance Brokers Limited	Hong Kong	HK$100,000	100%	100%	Insurance Broker
Wing Hang Insurance Agency Limited	Hong Kong	HK$50,000	100%	100%	Insurance Agency
Wing Hang Shares Brokerage Company Limited	Hong Kong	HK$10,000,000	100%	100%	Securities Dealing
Wing Hang Bank (Trustee) Limited	Hong Kong	HK$3,000,000	100%	100%	Trustee Services
Wing Hang Bank (Nominees) Limited ..	Hong Kong	HK$10,000	100%	100%	Nominee Services
Cheuk Woo Enterprises Company Limited	Hong Kong	HK$10,000	100%	100%	Property Investment

21. Investments in associated companies

	The Group		The Bank	
	2013	2012	2013	2012
Unlisted shares, at cost	**—**	—	**182,000**	182,000
Share of net assets	**229,567**	201,073	**—**	—
Loans to associated companies	**22,987**	28,650	**22,987**	28,650
	252,554	229,723	**204,987**	210,650

At 31st December, 2013, the outstanding balance of the loans to associated companies included secured loans totalling HK$22,987,000 (2012: HK$28,650,000) which bear 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 to one of associated companies was extended to 28th September, 2017 with the interest rate at 2.60%. For details, please refer to note 36(c).

There are no impaired loans to associated companies nor individual impairment allowances made on loans to associated companies at 31st December, 2013 and 31st December, 2012.

The following list contains only the particulars of material associated companies:

Name of company	Form of business structure	Place of incorporation and operation	Nominal value of issued ordinary shares	Group's effective interest	Percentage held by the Bank	Voting power	Principal activities
Bank Consortium Holding Limited[(1)]	Incorporated	Hong Kong	HK$150,000,000	27%	27%	2 out of 7*	Services for Retirement Schemes
Hong Kong Life Insurance Limited[(2)]	Incorporated	Hong Kong	HK$420,000,000	33%	33%	1 out of 3*	Insurance

* Representing the Group's number of votes on the board of directors of the respective associated companies.

Note 1: Bank Consortium Holding Limited, a major provider of retirement plans and pension fund services in Hong Kong, enables the Group to enhance its Mandatory Provident Fund services.

Note 2: Hong Kong Life Insurance Limited, a major insurance company in Hong Kong, enables the Group to expand the customer base for its insurance services.

All of the above associated companies are accounted for using the equity method in the consolidated financial statements.

In respect of the year ended 31st December, 2013 and 31st December, 2012, the share of the results of Bank Consortium Holding Limited and Hong Kong Life Insurance Limited was included in these financial statements based on accounts drawn up to 31st December, 2013 and 30th November, 2012 respectively. The Group has taken advantage of the provision contained in HKAS 28, *Investments in Associates,* whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-coterminous period and where the difference is not greater than three months.

Summarised financial information of the material associated companies, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Bank Consortium Holding Limited		Hong Kong Life Insurance Limited	
	2013	2012	2013	2012
Gross amounts of the associated companies				
Assets	**503,155**	509,409	**7,579,210**	6,726,103
Liabilities	**55,556**	107,302	**7,087,730**	6,278,454
Net assets	**447,599**	402,107	**491,480**	447,649
Total operating income	**452,154**	360,176	**1,396,596**	1,158,483
Profit after tax	**129,836**	95,269	**46,249**	46,666
Other comprehensive income	**56**	288	**2,737**	2,025
Total comprehensive income	**129,892**	95,557	**48,986**	48,691
Dividends received from the associated companies	**23,800**	14,720	**—**	—
Reconciled to the Group's interests in the associated companies				
Gross amounts of net assets of the associated companies	**447,599**	402,107	**491,480**	447,649
Group's effective interest	**27%**	27%	**33%**	33%
Group's share of net assets of the associated companies	**119,360**	107,229	**163,827**	149,216
Elimination of unrealised gain on transfer of bank premises to the associated companies	**(37,610)**	(37,610)	**(26,368)**	(26,368)
Carrying amount in the consolidated financial statements	**81,750**	69,619	**137,459**	122,848

Aggregate information of an associated company that is not individually material:

	2013	2012
Aggregate carrying amount of individually immaterial associated company in the consolidated financial statements	**10,358**	8,606
Aggregate amounts of the Group's share of net assets of the associated company	**10,358**	8,606
Total operating income	**74,256**	73,040
Profit after tax	**24,545**	26,834
Other comprehensive income	**—**	—
Total comprehensive income	**24,545**	26,834
Reconciliation of carrying amounts to the Group's total interests in the associated companies		
Carrying amount of material associated companies		
Bank Consortium Holding Limited	**81,750**	69,619
Hong Kong Life Insurance Limited	**137,459**	122,848
Carrying amount of the individually immaterial associated company	**10,358**	8,606
Investment in associated companies in the consolidated financial statements	**229,567**	201,073

22. Tangible fixed assets

	The Group				
	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)**
Transfers from bank premises to investment properties	**—**	**—**	**—**	**—**	**—**
Surplus on revaluation					
—credited to bank premises revaluation reserve	**—**	**413,394**	**—**	**413,394**	**413,394**
—credited to consolidated income statement (note 6(a))	**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 (note 5(f))	**—**	**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**

	The Group				
	2012				
	Investment properties	Bank premises	Equipment	Bank premises and equipment	Total
Cost or valuation					
At 1st January	589,772	4,050,316	1,106,323	5,156,639	5,746,411
Additions	—	40,623	100,801	141,424	141,424
Disposals	—	(28,709)	(62,260)	(90,969)	(90,969)
Transfers from bank premises to investment properties	150,894	(150,894)	—	(150,894)	—
Surplus on revaluation					
—credited to bank premises revaluation reserve	—	604,853	—	604,853	604,853
—credited to consolidated income statement (note 6(a))	158,676	—	—	—	158,676
Elimination of accumulated depreciation on revalued bank premises	—	(49,743)	—	(49,743)	(49,743)
Exchange adjustment	—	(46)	(114)	(160)	(160)
At 31st December	899,342	4,466,400	1,144,750	5,611,150	6,510,492
The analysis of cost or valuation of the above assets is as follows:					
At cost	—	1,362,322	1,144,750	2,507,072	2,507,072
At valuation 2012	899,342	3,104,078	—	3,104,078	4,003,420
	899,342	4,466,400	1,144,750	5,611,150	6,510,492
Accumulated depreciation					
At 1st January	—	167,700	709,018	876,718	876,718
Charge for the year (note 5(f))	—	82,030	128,387	210,417	210,417
Written back on disposals	—	(2,367)	(59,244)	(61,611)	(61,611)
Elimination of accumulated depreciation on revalued bank premises	—	(49,743)	—	(49,743)	(49,743)
Exchange adjustment	—	631	833	1,464	1,464
At 31st December	—	198,251	778,994	977,245	977,245
Net book value					
At 31st December	899,342	4,268,149	365,756	4,633,905	5,533,247

	The Bank		
	2013		
	Bank premises	Equipment	Total
Cost or valuation			
At 1st January	**2,585,040**	**777,539**	**3,362,579**
Additions through transfer from subsidiary	**229,770**	**—**	**229,770**
Additions	**69**	**42,296**	**42,365**
Disposals	**(1,068)**	**(39,580)**	**(40,648)**
Surplus on revaluation			
—credited to bank premises revaluation reserve	**203,390**	**—**	**203,390**
Elimination of accumulated depreciation on revalued bank premises	**(26,459)**	**—**	**(26,459)**
At 31st December	**2,990,742**	**780,255**	**3,770,997**
The analysis of cost or valuation of the above assets is as follows:			
At cost (note (a))	**899,570**	**780,255**	**1,679,825**
At valuation 2013	**2,091,172**	**—**	**2,091,172**
	2,990,742	**780,255**	**3,770,997**
Accumulated depreciation			
At 1st January	**120,126**	**537,176**	**657,302**
Charge for the year	**42,043**	**81,851**	**123,894**
Written back on disposals	**(279)**	**(30,706)**	**(30,985)**
Elimination of accumulated depreciation on revalued bank premises	**(26,459)**	**—**	**(26,459)**
At 31st December	**135,431**	**588,321**	**723,752**
Net book value			
At 31st December	**2,855,311**	**191,934**	**3,047,245**

	The Bank		
	2012		
	Bank premises	Equipment	Total
Cost or valuation			
At 1st January	2,281,305	772,754	3,054,059
Additions	17,281	53,694	70,975
Disposals	—	(48,909)	(48,909)
Surplus on revaluation			
—credited to bank premises revaluation reserve	304,313	—	304,313
Elimination of accumulated depreciation on revalued bank premises	(17,859)	—	(17,859)
At 31st December	2,585,040	777,539	3,362,579
The analysis of cost or valuation of the above assets is as follows:			
At cost	900,638	777,539	1,678,177
At valuation 2012	1,684,402	—	1,684,402
	2,585,040	777,539	3,362,579
Accumulated depreciation			
At 1st January	104,528	500,017	604,545
Charge for the year	33,457	83,708	117,165
Written back on disposals	—	(46,549)	(46,549)
Elimination of accumulated depreciation on revalued bank premises	(17,859)	—	(17,859)
At 31st December	120,126	537,176	657,302
Net book value			
At 31st December	2,464,914	240,363	2,705,277

(a) The fair value of the Group's and the Bank's bank premises held for non-administrative use which are stated at cost were HK$5,267,430,000 and HK$3,456,100,000 respectively as revalued by an independent firm of surveyors, Savills Valuation and Professional Services Limited at 31st December, 2013. 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 22(b)(ii).

(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.

	The Group			
	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**

	The Group			
	2012			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Investment properties	—	—	899,342	899,342
Bank premises held for administrative use	—	—	3,104,078	3,104,078
	—	—	4,003,420	4,003,420

	The Bank			
	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Bank premises held for administrative use	**—**	**—**	**2,091,172**	**2,091,172**
	—	**—**	**2,091,172**	**2,091,172**

	The Bank			
	2012			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Bank premises held for administrative use	—	—	1,684,402	1,684,402
	—	—	1,684,402	1,684,402

During the year ended 31st December 2013, 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 31st December, 2013, 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.

(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:

	The Group			
	2013		2012	
	Investment properties	Bank premises	Investment properties	Bank premises
Cost or valuation				
At 1st January	**899,342**	**3,104,078**	589,772	2,685,280
Additions	**—**	**743**	—	17,972
Disposals	**(748,142)**	**(620,045)**	—	(3,390)
Transfer from bank premises to investment properties	**—**	**—**	150,894	(150,894)
Depreciation charge for the year	**—**	**(54,959)**	—	(49,793)
Depreciation written back on disposals for the year	**—**	**2,779**	—	50
Surplus on revaluation				
—credited to bank premises revaluation reserve	**—**	**413,394**	—	604,853
—credited to consolidated income statement	**11,900**	**—**	158,676	—
At 31st December	**163,100**	**2,845,990**	899,342	3,104,078

	The Bank	
	2013	2012
	Bank premises	Bank premises
Cost or valuation		
At 1st January	**1,684,402**	1,380,667
Additions through transfer from subsidiary	**229,770**	—
Additions	**69**	17,281
Depreciation charge for the year	**(26,459)**	(17,859)
Surplus on revaluation		
—credited to bank premises revaluation reserve	**203,390**	304,313
At 31st December	**2,091,172**	1,684,402

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 year arise from the properties held at the end of the reporting period.

(iii) The surplus on revaluation on bank premises held for administrative use net of deferred tax of HK$375,340,000 (2012: HK$563,071,000) and HK$200,904,000 (2012: HK$302,565,000) have been recognised in other comprehensive income and accumulated in the bank premises revaluation reserve of the Group and the Bank respectively.

(iv) The carrying amount of the Group's and the Bank's bank premises held for administrative use would have been HK$915,963,000 (2012: HK$1,052,559,000) and HK$830,366,000 (2012: HK$617,188,000) respectively had they been stated at cost less accumulated depreciation.

(c) The net book value of investment properties and bank premises is as follows:

	The Group		The Bank	
	2013	2012	2013	2012
FREEHOLD				
—Held outside Hong Kong	**210,290**	187,250	**—**	—
LEASEHOLD				
—Held in Hong Kong				
Long-term leases (over 50 years unexpired)	**1,790,439**	3,013,246	**1,580,039**	1,485,737
Medium-term leases (10 to 50 years unexpired)	**1,402,790**	1,325,414	**1,260,849**	965,675
—Held outside Hong Kong				
Long-term leases (over 50 years unexpired)	**7,263**	10,938	**—**	3,148
Medium-term leases (10 to 50 years unexpired)	**430,817**	429,009	**14,423**	10,354
Short-term leases (less than 10 years unexpired)	**287,087**	201,634	**—**	—
	4,128,686	5,167,491	**2,855,311**	2,464,914

(d) Fixed assets leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	The Group	
	2013	2012
Within 1 year	**3,895**	19,364
After 1 year but within 5 years	**1,845**	10,845
	5,740	30,209

23. Goodwill

(a) Goodwill

	The Group		The Bank	
	2013	2012	2013	2012
Cost				
At 1st January/31st December	**1,307,600**	1,307,600	**847,422**	847,422
Accumulated impairment loss				
At 1st January/31st December	**1,170**	1,170	**—**	—
Net book value				
At 31st December	**1,306,430**	1,306,430	**847,422**	847,422

(b) Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to region of operation and reportable segment as follows:

	2013	2012
Hong Kong:		
Retail banking business acquired	**1,019,136**	1,019,136
Corporate banking business acquired	**233,741**	233,741
Treasury business acquired	**53,553**	53,553
	1,306,430	1,306,430

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate growth rate beyond initial cash flows projection of 4.00% (2012: 4.00%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using a discount rate of 14.68% (2012: 13.36%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

24. Deposits and balances of banks, central banks and other financial institutions

	The Group		The Bank	
	2013	2012	2013	2012
Deposits from central banks	**907,522**	108,123	**864,103**	—
Deposits from banks	**2,350,800**	983,339	**2,119,757**	370,016
	3,258,322	1,091,462	**2,983,860**	370,016

25. Deposits from customers

	The Group		The Bank	
	2013	2012	2013	2012
Demand deposits and current accounts	**25,871,964**	23,742,656	**20,590,768**	19,537,890
Savings deposits	**27,325,626**	28,280,260	**18,096,164**	19,413,184
Time, call and notice deposits	**124,712,370**	113,912,542	**84,994,997**	79,657,031
	177,909,960	165,935,458	**123,681,929**	118,608,105

26. Certificates of deposit issued

	The Group		The Bank	
	2013	2012	2013	2012
Certificates of deposit issued at amortised cost	**4,186,223**	2,413,199	**4,186,223**	2,413,199
Structured certificates of deposit issued designated at fair value through profit or loss	**—**	150,351	**—**	150,351
	4,186,223	2,563,550	**4,186,223**	2,563,550

At 31st December, 2013, there is no structured certificates of deposit issued designated at fair value through profit or loss for the Group and the Bank (2012: the carrying amounts of structured certificates of deposit issued designated at fair value through profit or loss are higher than their contractual amount payable by HK$351,000 due to changes in benchmark interest rates).

27. Trading liabilities

Trading liabilities represent negative fair values of derivative financial instruments held for trading. Details are set out in note 33(a).

Trading liabilities of the Bank include negative fair values of derivative financial instruments transacted with a subsidiary amounting to HK$7,316,000 (2012: HK$2,527,000).

28. Other accounts and provisions

	The Group		The Bank	
	2013	2012	2013	2012
Acceptances outstanding	**295,398**	337,925	**248,113**	287,580
Interest payable	**792,346**	788,461	**328,631**	417,620
Amount payable for purchase of debt securities	**150,020**	—	**150,020**	—
Other payables	**1,784,165**	1,284,021	**1,087,850**	743,000
	3,021,929	2,410,407	**1,814,614**	1,448,200

29. Subordinated liabilities

	The Group and the Bank	
	2013	2012
US$400 million 6.00% step-up perpetual subordinated notes, designated at fair value through profit or loss (note (a))	**3,169,279**	3,206,387
US$225 million 9.375% perpetual subordinated notes, measured at amortised cost (note (b))	**—**	1,744,043
	3,169,279	4,950,430

(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 note, 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 31st December, 2013, 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 and the Bank by HK$67,759,000 (2012: HK$105,867,000). The change in fair value of this step-up perpetual subordinated notes is recognised as "net realised and unrealised gains on 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 year ended 31st December, 2013 is a loss of HK$125,558,000 (2012: HK$307,328,000) and the accumulated amount of this change for the Group and the Bank is a gain of HK$348,186,000 (2012: HK$473,744,000).

(b) On 3rd September, 2008, the Bank issued perpetual subordinated notes which is included in tier 2 capital and subject to phase out, with a face value of HK$1,756,283,000 (US$225,000,000). The notes bear interest at a fixed rate of 9.375% per annum and the notes can be early redeemed at the option of the Bank on 11th September, 2013. The Bank early redeemed the notes on 11th September, 2013 at 100 percent of the principal amount. Despite the Bank has the option to defer making payment of interest on the subordinated note, 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.

30. Maturity profile

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

	The Group							
	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**

	The Group							
	2012							
	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	7,211,390	—	—	—	—	—	—	7,211,390
Placements with banks, central banks and other financial institutions	—	6,527,240	5,774,660	4,530,650	—	—	—	16,832,550
Trading assets	—	18,665	93,100	5,818,104	1,056,810	603,164	827,710	8,417,553
Financial assets designated at fair value through profit or loss	—	125,271	206,436	210,528	6,858,977	2,477,958	—	9,879,170
Advances to customers	1,842,650	5,361,285	6,671,341	19,034,632	38,118,528	42,474,607	212,704	113,715,747
Trade bills	65,387	622,541	1,081,296	2,523,581	—	—	971	4,293,776
Advances to banks	213	—	—	765,396	—	—	—	765,609
Held-to-maturity investments	—	135,768	295,763	124,086	1,351,166	448,882	—	2,355,665
Available-for-sale financial assets	—	2,425,194	4,396,049	3,558,783	12,549,030	1,459,580	251,613	24,640,249
Other assets	362	1,182,618	300,961	126,758	173,453	9,392	7,458,616	9,252,160
Total assets	9,120,002	16,398,582	18,819,606	36,692,518	60,107,964	47,473,583	8,751,614	197,363,869
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	169,719	736,393	185,350	—	—	—	—	1,091,462
Deposits from customers	51,550,623	53,657,783	34,522,518	23,986,960	2,020,112	169,462	28,000	165,935,458
Certificates of deposit issued	—	354,549	163,300	1,076,709	968,992	—	—	2,563,550
Trading liabilities	—	—	—	—	—	—	552,174	552,174
Subordinated liabilities	—	—	—	—	—	—	4,950,430	4,950,430
Other liabilities	—	1,399,540	378,329	629,580	145,103	—	184,463	2,737,015
Total liabilities	51,720,342	56,148,265	35,249,497	25,693,249	3,134,207	169,462	5,715,067	177,830,089
Net assets/(liabilities) gap	(42,600,340)	(39,749,683)	(16,429,891)	10,999,269	56,973,757	47,304,121	3,036,547	19,533,780
of which:								
Certificates of deposit held —included in trading assets	—	18,665	93,100	—	—	—	—	111,765
—included in available-for-sale financial assets	—	—	—	541,175	832,433	—	—	1,373,608
Debt securities —included in trading assets	—	—	—	5,818,104	1,056,810	603,164	—	7,478,078
—included in financial assets designated at fair value through profit or loss	—	125,271	206,436	210,528	6,858,977	2,477,958	—	9,879,170
—included in held-to-maturity investments	—	135,768	295,763	124,086	1,351,166	448,882	—	2,355,665
—included in available-for-sale financial assets	—	2,425,194	4,396,049	3,017,608	11,716,597	1,459,580	—	23,015,028

	The Bank							
	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	**1,412,880**	**—**	**—**	**—**	**—**	**—**	**—**	**1,412,880**
Placement with banks, central banks and other financial institutions	**—**	**9,618,889**	**1,007,994**	**54,846**	**—**	**—**	**—**	**10,681,729**
Trading assets	**—**	**95,994**	**—**	**250,897**	**1,118,705**	**—**	**979,989**	**2,445,585**
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	**1,830,540**	**7,343,128**	**5,332,661**	**13,551,810**	**31,391,025**	**24,243,645**	**207,629**	**83,900,438**
Trade bills	**58,907**	**289,407**	**1,005,082**	**3,284,802**	**—**	**—**	**172**	**4,638,370**
Advances to banks	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Amounts due from subsidiaries	**545,532**	**710,830**	**748,631**	**12,796,932**	**1,651,418**	**—**	**—**	**16,453,343**
Held-to-maturity investments	**—**	**—**	**60,000**	**—**	**2,573,276**	**640,296**	**—**	**3,273,572**
Available-for-sale financial assets	**—**	**2,838,728**	**2,995,410**	**2,750,775**	**9,579,646**	**269,612**	**139,272**	**18,573,443**
Other assets	**72,280**	**1,017,226**	**190,503**	**33,892**	**42,442**	**—**	**7,423,735**	**8,780,078**
Total assets	**3,920,139**	**22,170,520**	**11,340,281**	**33,670,851**	**52,280,725**	**26,247,165**	**8,750,797**	**158,380,478**
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	**996,823**	**620,419**	**1,366,618**	**—**	**—**	**—**	**—**	**2,983,860**
Deposits from customers	**38,646,687**	**47,898,629**	**25,624,461**	**10,786,107**	**726,045**	**—**	**—**	**123,681,929**
Certificates of deposit issued	**—**	**—**	**—**	**1,769,698**	**2,416,525**	**—**	**—**	**4,186,223**
Trading liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**776,248**	**776,248**
Amounts due to subsidiaries	**1,067,013**	**2,752,744**	**759,557**	**537,977**	**798**	**—**	**11**	**5,118,100**
Subordinated liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**3,169,279**	**3,169,279**
Other liabilities	**—**	**1,251,861**	**197,322**	**298,289**	**77,929**	**—**	**183,471**	**2,008,872**
Total liabilities	**40,710,523**	**52,523,653**	**27,947,958**	**13,392,071**	**3,221,297**	**—**	**4,129,009**	**141,924,511**
Net assets/(liabilities) gap	**(36,790,384)**	**(30,353,133)**	**(16,607,677)**	**20,278,780**	**49,059,428**	**26,247,165**	**4,621,788**	**16,455,967**
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	**—**	**—**	**—**	**—**	**834,021**	**—**	**—**	**834,021**
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	**—**	**—**	**60,000**	**—**	**2,054,494**	**640,296**	**—**	**2,754,790**
—included in available-for-sale financial assets	**—**	**2,838,728**	**2,995,410**	**2,750,775**	**8,745,625**	**269,612**	**—**	**17,600,150**

	The Bank							
	2012							
	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	1,166,998	—	—	—	—	—	—	1,166,998
Placement with banks, central banks and other financial institutions	—	4,238,963	4,805,806	2,767,783	—	—	—	11,812,552
Trading assets	—	18,665	93,100	5,818,104	1,056,810	603,164	839,566	8,429,409
Financial assets designated at fair value through profit or loss	—	125,271	206,436	210,528	6,858,977	2,477,958	—	9,879,170
Advances to customers	1,625,287	4,048,609	5,179,506	9,294,935	25,562,473	23,509,405	234,617	69,454,832
Trade bills	65,387	337,761	498,608	5,738,072	—	—	171	6,639,999
Advances to banks	213	—	—	29,567	—	—	—	29,780
Amounts due from subsidiaries	155,658	208,664	2,717,081	9,088,249	3,367	—	—	12,173,019
Held-to-maturity investments	—	—	—	—	542,897	448,881	—	991,778
Available-for-sale financial assets	—	1,589,509	3,835,234	2,069,760	11,055,370	1,375,008	185,723	20,110,604
Other assets	—	812,561	236,456	67,861	47,205	—	7,125,419	8,289,502
Total assets	3,013,543	11,380,003	17,572,227	35,084,859	45,127,099	28,414,416	8,385,496	148,977,643
Liabilities								
Deposits and balances of banks, central banks and other financial institutions	59,424	248,372	62,220	—	—	—	—	370,016
Deposits from customers	38,510,893	45,107,834	24,220,666	10,199,646	371,604	169,462	28,000	118,608,105
Certificates of deposit issued	—	354,549	163,300	1,076,709	968,992	—	—	2,563,550
Trading liabilities	—	—	—	—	—	—	552,911	552,911
Amounts due to subsidiaries	1,066,416	3,604,757	725,469	1,148,889	881	—	10	6,546,422
Subordinated liabilities	—	—	—	—	—	—	4,950,430	4,950,430
Other liabilities	—	839,968	260,795	309,332	66,287	—	168,606	1,644,988
Total liabilities	39,636,733	50,155,480	25,432,450	12,734,576	1,407,764	169,462	5,699,957	135,236,422
Net assets/(liabilities) gap	(36,623,190)	(38,775,477)	(7,860,223)	22,350,283	43,719,335	28,244,954	2,685,539	13,741,221
of which:								
Certificates of deposit held —included in trading assets	—	18,665	93,100	—	—	—	—	111,765
—included in available-for-sale financial assets	—	—	—	541,175	832,433	—	—	1,373,608
Debt securities —included in trading assets	—	—	—	5,818,104	1,056,810	603,164	—	7,478,078
—included in financial assets designated at fair value through profit or loss	—	125,271	206,436	210,528	6,858,977	2,477,958	—	9,879,170
—included in held-to-maturity investments	—	—	—	—	542,897	448,881	—	991,778
—included in available-for-sale financial assets	—	1,589,509	3,835,234	1,528,585	10,222,937	1,375,008	—	18,551,273

31. Share capital and reserves

(a) Share capital

	2013	2012
Authorised:		
450,000,000 (2012: 450,000,000) ordinary shares of HK$1.00 each	**450,000**	450,000
Issued and fully paid:		
At 1st January	**302,163**	298,812
Shares issued under Share Option Scheme	**25**	110
Shares issued under EIP	**262**	153
Shares issued in lieu of dividends	**4,975**	3,088
307,424,722 (2012: 302,162,900) ordinary shares of HK$1.00 each	**307,425**	302,163

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual net assets.

(i) Share Option Scheme

During the year, options were exercised to subscribe for ordinary shares of 25,000 (2012: 110,000) shares in the Bank at a consideration of HK$1,095,000 (2012: HK$2,887,000) of which HK$25,000 (2012: HK$110,000) is credited to share capital and the balance of HK$1,070,000 (2012: HK$2,777,000) is credited to the share premium account. At 31st December, 2013, the outstanding options are 460,000 shares (2012: 485,000 shares).

(ii) EIP

During the year, awards under the EIP were exercised to subscribe for ordinary shares of 262,000 (2012: 152,250) shares in the Bank at a consideration of HK$262,000 (2012: HK$152,250). At 31st December, 2013, the outstanding awards under the EIP are 1,811,500 shares (2012: 2,073,500 shares).

The details of the Share Option Scheme and the EIP are disclosed in note 38 to the financial statements.

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

	The Bank						
	2013						
	Share premium	General reserve	Bank premises revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Unappro-priated profits	Total
At 1st January	**1,041,643**	**1,801,949**	**1,392,247**	**352,942**	**769**	**8,849,508**	**13,439,058**
Share premium under Share Option Scheme	**1,070**	**—**	**—**	**—**	**—**	**—**	**1,070**
Share premium under EIP	**11,475**	**—**	**—**	**—**	**—**	**—**	**11,475**
Share premium in lieu of dividends	**351,560**	**—**	**—**	**—**	**—**	**—**	**351,560**
Dividends approved in respect of the previous year (note 9(b))	**—**	**—**	**—**	**—**	**—**	**(489,808)**	**(489,808)**
Dividends declared in respect of the current year (note 9(a))	**—**	**—**	**—**	**—**	**—**	**(141,415)**	**(141,415)**
Transfer (from)/to reserve	**—**	**—**	**(9,797)**	**—**	**—**	**9,797**	**—**
	364,105	**—**	**(9,797)**	**—**	**—**	**(621,426)**	**(267,118)**
Other comprehensive income:							
—fair value changes on available-for-sale financial assets net of deferred tax	**—**	**—**	**—**	**(127,298)**	**—**	**—**	**(127,298)**
—fair value changes on available-for-sale financial assets transferred to income statement on disposal net of deferred tax	**—**	**—**	**—**	**(65,430)**	**—**	**—**	**(65,430)**
—surplus on revaluation net of deferred tax	**—**	**—**	**200,904**	**—**	**—**	**—**	**200,904**
—profit attributable to shareholders of the Bank for the year	**—**	**—**	**—**	**—**	**—**	**2,968,426**	**2,968,426**
Total comprehensive income for the year, net of tax	**—**	**—**	**200,904**	**(192,728)**	**—**	**2,968,426**	**2,976,602**
At 31st December	**1,405,748**	**1,801,949**	**1,583,354**	**160,214**	**769**	**11,196,508**	**16,148,542**

	The Bank						
	2012						
	Share premium	General reserve	Bank premises revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Unappro-priated profits	Total
At 1st January							
—as previously reported	800,412	1,801,949	920,123	174,466	769	8,105,955	11,803,674
—prior year adjustment in respect of deferred tax	—	—	175,615	—	—	(2,992)	172,623
—as restated	800,412	1,801,949	1,095,738	174,466	769	8,102,963	11,976,297
Share premium under Share Option Scheme	2,777	—	—	—	—	—	2,777
Share premium under EIP	13,284	—	—	—	—	—	13,284
Share premium in lieu of dividends	225,170	—	—	—	—	—	225,170
Dividends approved in respect of the previous year (note 9(b))	—	—	—	—	—	(400,513)	(400,513)
Dividends declared in respect of the current year (note 9(a))	—	—	—	—	—	(138,292)	(138,292)
Transfer (from)/to reserve	—	—	(6,056)	—	—	6,056	—
	241,231	—	(6,056)	—	—	(532,749)	(297,574)
Other comprehensive income:							
—fair value changes on available-for-sale financial assets net of deferred tax	—	—	—	227,101	—	—	227,101
—fair value changes on available-for-sale financial assets transferred to income statement on disposal net of deferred tax	—	—	—	(48,625)	—	—	(48,625)
—surplus on revaluation net of deferred tax	—	—	302,565	—	—	—	302,565
—profit attributable to shareholders of the Bank for the year	—	—	—	—	—	1,279,294	1,279,294
Total comprehensive income for the year, net of tax	—	—	302,565	178,476	—	1,279,294	1,760,335
At 31st December	1,041,643	1,801,949	1,392,247	352,942	769	8,849,508	13,439,058

The Group's unappropriated profits as at 31st December, 2013 included the accumulated gains of HK$193,162,000 (2012: HK$141,905,000) of the associated companies and a regulatory reserve of HK$1,616,794,000 (2012: HK$1,294,869,000). 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").

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H of the Hong Kong Companies Ordinance.

The capital reserve of the Group comprises unappropriated profits capitalised on the issue of bonus shares by subsidiaries in prior years and reserves established by Banco Weng Hang, S.A. and Wing Hang Bank (China) Limited in accordance with the local banking regulations and are not available for distribution.

The statutory reserve of the Group is calculated as a percentage of the total risk assets at the balance sheet date of Wing Hang Bank (China) Limited to cover its potential losses that are not yet incurred as required by the relevant requirements issued by the Ministry of Finance of the People's Republic of China and is not available for distribution.

The general reserve of the Group was set up from the transfer of unappropriated profits and exchange differences arising from translation of the financial statements of overseas branches and subsidiaries (note 2(j)).

Revaluation reserves have been set up and are dealt with in accordance with the accounting policies adopted for the revaluation of bank premises and available-for-sale financial assets (notes 2(k) and (f)). Bank premises revaluation reserve and investment revaluation reserve do not represent realised profits and are not available for distribution.

At 31st December, 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Bank as calculated under the provision of Section 79B of the Hong Kong Companies Ordinance amounted to HK$12,079,218,000 (2012: HK$10,121,601,000).

The Bank and its financial subsidiaries operate under regulatory jurisdictions which require the maintenance of minimum capital ratios which could therefore potentially restrict the amount of general reserve and unappropriated profits, which are available for distribution, to be distributed to shareholders.

32. 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:

	The Group		The Bank	
	2013	2012	2013	2012
Direct credit substitutes	**1,416,458**	1,265,135	**1,233,826**	767,566
Transaction-related contingencies	**149,469**	244,126	**254,242**	234,379
Trade-related contingencies	**623,006**	703,048	**567,784**	638,571
Other commitments:				
With an original maturity of not more than one year	**1,020,894**	259,580	**707,802**	26,860
With an original maturity over one year	**2,038,352**	2,657,224	**1,285,848**	1,973,880
Which are unconditionally cancellable	**32,740,820**	43,041,940	**27,193,413**	32,659,746
Total	**37,988,999**	48,171,053	**31,242,915**	36,301,002
Credit risk weighted amounts	**2,532,462**	2,606,797	**1,868,233**	1,616,012

(b) Capital commitments

Capital commitments for acquisition of tangible fixed assets outstanding at 31st December, 2013 not provided for in the financial statements are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Expenditure authorised and contracted for	**28,312**	28,080	**20,568**	21,558
Expenditure authorised but not contracted for	**—**	94	**—**	—
	28,312	28,174	**20,568**	21,558

(c) Lease commitments

At 31st December, 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Properties				
Within 1 year	**89,221**	75,514	**43,333**	44,622
After 1 year but within 5 years	**161,313**	84,475	**72,414**	17,387
After 5 years	**4,000**	9,373	**—**	—
	254,534	169,362	**115,747**	62,009
Others				
Within 1 year	**493**	810	**45**	29
After 1 year but within 5 years	**724**	7	**51**	—
	1,217	817	**96**	29

The Group leases a number of properties and items of equipment under operating leases. The leases run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. Lease payments are periodically adjusted to reflect market rentals. None of the leases includes contingent rentals.

33. 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.

	The Group		
	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 Group		
	2012		
	Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total
Exchange rate contracts			
Forwards	—	29,947,261	29,947,261
Options purchased	—	7,921,469	7,921,469
Options written	—	7,432,512	7,432,512
Interest rate contracts			
Swaps	8,419,103	16,023,446	24,442,549
Equity contracts			
Options purchased	—	79,074	79,074
Options written	—	67,399	67,399
	8,419,103	61,471,161	69,890,264

	The Bank		
	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	**—**	**37,207,285**	**37,207,285**
Options purchased	**—**	**10,862,267**	**10,862,267**
Options written	**—**	**10,605,520**	**10,605,520**
Interest rate contracts			
Swaps	**9,047,086**	**14,668,695**	**23,715,781**
Equity contracts			
Options purchased	**—**	**900,539**	**900,539**
Options written	**—**	**890,346**	**890,346**
	9,047,086	**75,134,652**	**84,181,738**

	The Bank		
	2012		
	Managed in conjunction with financial instruments designated at fair value through profit or loss	Others, including held for trading	Total
Exchange rate contracts			
Forwards	—	31,025,307	31,025,307
Options purchased	—	7,921,467	7,921,467
Options written	—	7,430,178	7,430,178
Interest rate contracts			
Swaps	8,419,103	16,231,446	24,650,549
Equity contracts			
Options purchased	—	79,074	79,074
Options written	—	67,399	67,399
	8,419,103	62,754,871	71,173,974

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

(a) Use of derivative financial instruments

The following is a summary of the fair values of derivative financial instruments held for trading purposes by type of derivatives entered into by the Group and the Bank:

	The Group			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	**283,873**	**261,536**	163,680	67,923
Interest rate contracts	**657,596**	**485,709**	658,691	480,233
Equity contracts	**26,040**	**25,865**	3,993	4,018
Total (notes 15 and 27)	**967,509**	**773,110**	826,364	552,174

	The Bank			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	**283,726**	**264,674**	163,846	68,335
Interest rate contracts	**663,138**	**485,709**	670,784	480,558
Equity contracts	**26,040**	**25,865**	3,993	4,018
Total (notes 15 and 27)	**972,904**	**776,248**	838,623	552,911

(b) Remaining life of derivative financial instruments

The following tables provide an analysis of the notional amounts of derivatives of the Group by relevant maturity groupings based on the remaining periods to settlement at the balance sheet date.

	The Group			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Exchange rate contracts	**53,594,264**	**4,177,254**	**—**	**57,771,518**
Interest rate contracts	**2,363,310**	**16,687,774**	**4,531,697**	**23,582,781**
Equity contracts	**1,790,885**	**—**	**—**	**1,790,885**
	57,748,459	**20,865,028**	**4,531,697**	**83,145,184**

	The Group			
	2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Exchange rate contracts	44,434,430	866,812	—	45,301,242
Interest rate contracts	5,851,635	15,200,104	3,390,810	24,442,549
Equity contracts	146,473	—	—	146,473
	50,432,538	16,066,916	3,390,810	69,890,264

	The Bank			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Exchange rate contracts	**54,497,809**	**4,177,263**	**—**	**58,675,072**
Interest rate contracts	**2,377,310**	**16,756,774**	**4,581,697**	**23,715,781**
Equity contracts	**1,790,885**	**—**	**—**	**1,790,885**
	58,666,004	**20,934,037**	**4,581,697**	**84,181,738**

	The Bank			
	2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total
Exchange rate contracts	45,510,344	866,608	—	46,376,952
Interest rate contracts	5,926,635	15,283,104	3,440,810	24,650,549
Equity contracts	146,473	—	—	146,473
	51,583,452	16,149,712	3,440,810	71,173,974

(c) The credit risk weighted amounts are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Exchange rate contracts	**700,059**	374,126	**687,147**	367,566
Interest rate contracts	**321,086**	330,377	**321,086**	326,656
Equity contracts	**93,932**	3,511	**93,932**	3,511
	1,115,077	708,014	**1,102,165**	697,733

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.

34. Notes to the consolidated cash flow statement

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

	The Group	
	2013	2012
Operating profit	**1,978,157**	1,806,820
Depreciation (note 5(f))	**214,360**	210,417
EIP—fair value of awards (note 5(f))	**11,475**	13,284
Interest expense on subordinated liabilities (note 5(b))	**302,820**	353,810
Change in fair value of subordinated liabilities designated at fair value through profit or loss (note 5(d))	**(38,160)**	274,130
Impairment losses released from available-for-sale financial assets	**—**	(3,626)
Profits tax paid	**(317,033)**	(390,243)
Change in treasury bills with original maturity of three months or above	**1,223,560**	(8,051,824)
Change in placements with banks, central banks and other financial institutions with original maturity of three months or above	**2,638,216**	(2,324,293)
Change in certificates of deposit held	**98,058**	(853,035)
Change in trading assets	**78,254**	734,438
Change in financial assets designated at fair value through profit or loss	**1,576,750**	(4,949,349)
Change in advances to customers and other accounts	**(21,438,025)**	(6,028,231)
Change in deposits and balances of banks, central banks and other financial institutions	**1,298,714**	339,142
Change in deposits from customers	**11,974,502**	8,181,020
Change in certificates of deposit issued	**1,622,673**	(193,099)
Change in trading liabilities	**220,936**	(530,231)
Change in other accounts and provision	**616,671**	(175,116)
Net cash inflow/(outflow) from operating activities	**2,061,928**	(11,585,986)

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

	The Group	
	2013	2012
Cash and balances with banks, central banks and other financial institutions	**7,564,466**	7,211,390
Placements with banks, central banks and other financial institutions	**19,216,094**	16,832,550
Treasury bills	**14,344,707**	18,786,422
Amounts shown in the consolidated balance sheet	**41,125,267**	42,830,362
Less: Amounts with an original maturity of three months or above	**(19,675,146)**	(23,536,922)
Deposits and balances of banks, central banks and other financial institutions that are repayable on demand	**(1,029,151)**	(161,005)
Cash and cash equivalents in the consolidated cash flow statement	**20,420,970**	19,132,435

(c) Disposal of subsidiary

	The Group
	2013
Advances to customers and other accounts	**537**
Tangible fixed assets	**1,366,813**
Current tax payable	**(7,156)**
Deferred tax liabilities	**(3,253)**
Other accounts and provisions	**(5,149)**
	1,351,792
Add: Gain on disposal	**250,314**
Cash inflow from disposal of subsidiary	**1,602,106**

35. Segment reporting

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.

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.

Specified non-current assets of the Group include tangible fixed assets, goodwill and investments in associated companies.

"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.

(a) Segment results, assets and liabilities

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 year is set out below.

	The Group						
	2013						
	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Net interest income	**1,625,027**	**453,218**	**338,665**	**2,416,910**	**646,167**	**451,545**	**3,514,622**
Non-interest income	**471,735**	**80,876**	**224,673**	**777,284**	**19,262**	**163,896**	**960,442**
Reportable segment revenue	**2,096,762**	**534,094**	**563,338**	**3,194,194**	**665,429**	**615,441**	**4,475,064**
Operating expenses	**(1,053,012)**	**(173,562)**	**(78,372)**	**(1,304,946)**	**(429,424)**	**(276,761)**	**(2,011,131)**
Operating profit before impairment losses and allowances	**1,043,750**	**360,532**	**484,966**	**1,889,248**	**236,005**	**338,680**	**2,463,933**
Impairment losses and allowances (charged on)/released from loans and advances	**(25,884)**	**4,334**	**—**	**(21,550)**	**(65,171)**	**374**	**(86,347)**
Operating profit	**1,017,866**	**364,866**	**484,966**	**1,867,698**	**170,834**	**339,054**	**2,377,586**
Net gains/(losses) on revaluation of properties and disposal of tangible fixed assets	**(788)**	**—**	**(2)**	**(790)**	**93**	**52,588**	**51,891**
Net gains on disposal of available-for-sale financial assets	**—**	**—**	**81,853**	**81,853**	**—**	**4,275**	**86,128**
Reportable segment profit before tax	**1,017,078**	**364,866**	**566,817**	**1,948,761**	**170,927**	**395,917**	**2,515,605**
Depreciation	**27,762**	**922**	**5,313**	**33,997**	**64,957**	**18,072**	**117,026**
Reportable segment assets	**56,635,202**	**45,328,393**	**29,810,773**	**131,774,368**	**39,466,485**	**30,554,331**	**201,795,184**
Addition to non-current segment assets	**30,111**	**85**	**—**	**30,196**	**10,027**	**17,119**	**57,342**
Reportable segment liabilities	**127,296,594**	**990,244**	**706,816**	**128,993,654**	**35,979,171**	**28,056,248**	**193,029,073**

	The Group						
	2012						
	Hong Kong						
	Retail banking	Corporate banking	Treasury	Total	Mainland China	Macau	Total
Net interest income	1,427,789	282,546	302,723	2,013,058	717,160	360,110	3,090,328
Non-interest income	439,283	79,750	224,155	743,188	43,500	147,262	933,950
Reportable segment revenue	1,867,072	362,296	526,878	2,756,246	760,660	507,372	4,024,278
Operating expenses	(950,230)	(164,001)	(65,534)	(1,179,765)	(400,748)	(234,786)	(1,815,299)
Operating profit before impairment losses and allowances	916,842	198,295	461,344	1,576,481	359,912	272,586	2,208,979
Impairment losses and allowances (charged on)/released from loans and advances	559	15,443	—	16,002	(251,821)	5	(235,814)
Impairment losses and allowances released from available-for-sale financial assets	—	—	3,626	3,626	—	—	3,626
Operating profit	917,401	213,738	464,970	1,596,109	108,091	272,591	1,976,791
Net gains/(losses) on revaluation of properties and disposal of tangible fixed assets	(1,790)	(5)	(35)	(1,830)	197	24,400	22,767
Net gains on disposal of available-for-sale financial assets	—	—	83,258	83,258	—	3,346	86,604
Reportable segment profit before tax	915,611	213,733	548,193	1,677,537	108,288	300,337	2,086,162
Depreciation	25,347	1,444	3,279	30,070	61,413	16,465	107,948
Reportable segment assets	51,549,255	34,657,034	36,497,172	122,703,461	35,726,808	25,236,850	183,667,119
Addition to non-current segment assets	21,783	53	594	22,430	54,063	16,387	92,880
Reportable segment liabilities	120,409,959	1,294,197	1,322,886	123,027,042	32,706,591	23,176,291	178,909,924

Reconciliations of reportable segment revenue, profit before taxation, assets and liabilities:

	The Group	
	2013	2012
Revenue		
Reportable segment revenue	**4,475,064**	4,024,278
Other revenue	**46,877**	121,116
Elimination of inter-segment revenue	**(221,192)**	(254,524)
Consolidated operating income	**4,300,749**	3,890,870

	The Group	
	2013	2012
Profit before taxation		
Reportable segment profit before taxation	**2,515,605**	2,086,162
Share of net gains of associated companies	**51,257**	40,960
Other revenue and net income	**35,270**	74,175
Elimination of inter-segment profit	**(46,602)**	(81,553)
Consolidated profit before taxation	**2,555,530**	2,119,744

	The Group	
	2013	2012
Assets		
Reportable segment assets	**201,795,184**	183,667,119
Balance and placements with banks, central banks and other financial institutions	**11,561,298**	12,566,668
Advances to bank	**—**	29,780
Investments in associated companies	**252,554**	229,723
Tangible fixed assets	**3,318,010**	4,499,574
Goodwill	**1,306,430**	1,306,430
Current tax recoverable	**7,322**	4,689
Deferred tax assets	**28,833**	33,992
Other assets	**8,610,163**	8,231,327
Elimination of inter-segment assets	**(12,503,905)**	(13,205,433)
Consolidated total assets	**214,375,889**	197,363,869

	The Group	
	2013	2012
Liabilities		
Reportable segment liabilities	**193,029,073**	178,909,924
Current tax payable	**133,665**	98,866
Deferred tax liabilities	**69,237**	113,911
Other liabilities	**8,760,227**	7,120,794
Elimination of inter-segment liabilities	**(9,316,533)**	(8,413,406)
Consolidated total liabilities	**192,675,669**	177,830,089

(b) Other geographical information

	The Group				
	2013				
	Hong Kong	Mainland China	Macau	Less: inter-segment elimination	Total
Specified non-current assets	**4,965,218**	**482,808**	**525,940**	**11,544**	**5,985,510**
Contingent liabilities and commitments (note 32(a))	**29,509,725**	**7,939,039**	**2,618,335**	**(2,078,100)**	**37,988,999**

	The Group				
	2012				
	Hong Kong	Mainland China	Macau	Less: inter-segment elimination	Total
Specified non-current assets	6,135,679	510,328	411,810	11,583	7,069,400
Contingent liabilities and commitments (note 32(a))	34,963,659	12,625,958	2,325,517	(1,744,081)	48,171,053

36. Material related party transactions

(a) Substantial shareholder

During the year, 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 year, average on-balance sheet outstanding for the year and on-balance sheet and off-balance sheet outstanding at the balance sheet date are:

	The Group		The Bank	
	2013	2012	2013	2012
(i) Income and expense for the year				
Interest income	**1,065**	1,262	**1,038**	1,244
Interest expense	**862**	1,516	**862**	1,516
(ii) Average on-balance sheet outstanding for the year				
Cash and balances with banks, central banks and other financial institutions	**243,522**	208,576	**132,279**	135,717
Placement with banks, central banks and other financial institutions	**67,444**	100,879	**67,444**	100,879
Deposits and balances of banks, central banks and other financial institutions	**146,902**	90,428	**145,743**	88,813
(iii) On-balance sheet outstanding at the balance sheet date				
Cash and balances with banks, central banks and other financial institutions	**134,733**	273,293	**26,995**	24,962
Deposits and balances of banks, central banks and other financial institutions	**241,345**	44,575	**239,773**	42,892
(iv) Off-balance sheet outstanding (contract amounts) at the balance sheet date				
Other commitments	**32,000**	31,787	**32,000**	31,787
(v) Derivative financial instruments outstanding (notional amounts) at the balance sheet date				
Exchange rate contracts	**2,738,785**	1,050,648	**2,738,785**	1,050,648
Interest rate contracts	**3,179,058**	2,751,712	**3,179,058**	2,751,712

(b) Subsidiaries

During the year, the Bank entered into the transactions with subsidiaries owned by the Bank in the ordinary course of business and on normal commercial terms. The income and expenses for the year, average on-balance sheet outstanding for the year, on-balance sheet and off-balance sheet outstanding at the balance sheet date are:

	The Bank	
	2013	**2012**
(i) Income and expense for the year		
Interest income	**312,305**	235,573
Interest expense	**60,410**	70,018
Other operating income	**142,489**	109,432
Operating expense	**78,531**	54,537

The interest rates in connection with amounts due from subsidiaries and due to subsidiaries are under terms and conditions normally applicable to customers of comparable standing.

Other operating income represented income on providing management services, information technology services, rental services, share brokerage services, financial control and other administration services to the Bank's subsidiaries by the Bank.

Operating expenses represented rental services and share brokerage services fee paid to the Bank's subsidiaries by the Bank.

All income and expenses on these transactions are determined on an arm's length basis.

(ii) Average on-balance sheet outstanding for the year		
Amounts due from subsidiaries	**14,204,472**	12,269,944
Amounts due to subsidiaries	**6,562,133**	5,628,349
(iii) On-balance sheet outstanding at the balance sheet date		
Amounts due from subsidiaries	**16,453,343**	12,173,019
Amounts due to subsidiaries	**5,118,100**	6,546,422

No allowance for impairment losses has been made in respect of these balances as at 31st December, 2013 (2012: nil).

(iv) Off-balance sheet outstanding (contract amounts) at the balance sheet date		
Direct credit substitutes	**11,383**	11,776
Transaction-related contingencies	**200,000**	200,000
Trade-related contingencies	**1,583**	1,564
Other commitments	**3,718,655**	2,762,783
(v) Derivative financial instruments outstanding (notional amounts) at the balance sheet date		
Exchange rate contracts	**1,922,759**	1,457,908
Interest rate contracts	**133,000**	358,000
Equity contracts	**1,718**	316

(c) Associated companies

The Group provided a secured loan to an associated company for HK$47,640,000 in 2007 to finance its purchase of the Group's bank premise during the year 2007. The loan bears an interest rate of 0.55% per annum over HIBOR and is 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 (2012: HK$28,650,000).

(d) Key management personnel

During the year, 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 year, average on-balance sheet outstanding for the year and on-balance sheet outstanding at the balance sheet date are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
(i) Income and expense for the year				
Interest income	**1,082**	863	**1,082**	863
Interest expense	**25,421**	27,839	**20,720**	22,345
(ii) Average on-balance sheet outstanding for the year				
Advances to customers	**81,515**	68,942	**81,515**	68,942
Deposits from customers	**1,866,686**	1,783,322	**1,653,157**	1,523,135
(iii) On-balance sheet outstanding at the balance sheet date				
Advances to customers	**71,912**	78,364	**71,912**	78,364
Deposits from customers	**1,786,270**	1,832,525	**1,579,217**	1,588,620

(iv) Emoluments for the year

Remuneration for key management personnel, including amounts paid to the Bank's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	The Group	
	2013	2012
Short-term employee benefits	**85,113**	65,002
Post-employment benefits	**3,246**	3,118
Equity compensation benefits	**6,562**	7,681
	94,921	75,801

(e) Loans to officers

Particulars of loans to officers disclosed pursuant to Section 161B(9) of the Hong Kong Companies Ordinance are as follows:

	The Group and the Bank	
	2013	2012
Aggregate amount of relevant loans outstanding at 31st December	**45,839**	47,052
The maximum aggregate amount of relevant loans outstanding during the year	**50,226**	50,463

(f) During the year, no allowance for impairment losses has been made in respect of the above advances to related parties (2012: nil).

37. 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.

(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 analyses 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.

(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:

	The Group					
	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		Net amount
				Financial instruments	Cash collateral received	
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**

	The Group					
	2013					
	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		Net amount
				Financial instruments	Cash collateral pledged	
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**

	The Group					
	2012					
	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	119,627	—	119,627	(119,627)	—	—
Positive fair values of derivative financial instruments held for trading	770,496	—	770,496	(195,025)	—	575,471
Interest receivable	82,794	(82,794)	—	—	—	—
	972,917	(82,794)	890,123	(314,652)	—	575,471

	The Group					
	2012					
	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		Net amount
				Financial instruments	Cash collateral pledged	
Financial liabilities						
Deposits from banks	615,689	—	615,689	(584,209)	—	31,480
Deposits from customers	293,855	—	293,855	(293,855)	—	—
Negative fair values of derivative financial instruments held for trading	477,685	—	477,685	(195,025)	—	282,660
Interest payable	196,877	(82,794)	114,083	—	—	114,083
	1,584,106	(82,794)	1,501,312	(1,073,089)	—	428,223

	The Bank					
	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		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Positive fair values of derivative financial instruments held for trading	**743,237**	**—**	**743,237**	**(339,445)**	**(18,066)**	**385,726**
Interest receivable	**72,408**	**(72,408)**	**—**	**—**	**—**	**—**
	815,645	**(72,408)**	**743,237**	**(339,445)**	**(18,066)**	**385,726**

	The Bank					
	2013					
	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		Net amount
				Financial instruments	Cash collateral pledged	
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	**185,749**	**(72,408)**	**113,341**	**—**	**—**	**113,341**
	1,760,861	**(72,408)**	**1,688,453**	**(1,266,626)**	**(167,111)**	**254,716**

	The Bank					
	2012					
	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						
Positive fair values of derivative financial instruments held for trading	770,496	—	770,496	(195,025)	—	575,471
Interest receivable	84,475	(84,475)	—	—	—	—
	854,971	(84,475)	770,496	(195,025)	—	575,471

	The Bank					
	2012					
	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		Net amount
				Financial instruments	Cash collateral pledged	
Financial liabilities						
Deposits from banks	248,372	—	248,372	(216,892)	—	31,480
Deposits from customers	293,855	—	293,855	(293,855)	—	—
Negative fair values of derivative financial instruments held for trading	477,685	—	477,685	(195,025)	—	282,660
Interest payable	197,206	(84,475)	112,731	—	—	112,731
	1,217,118	(84,475)	1,132,643	(705,772)	—	426,871

(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.

(1) Maximum exposure

The maximum exposure to credit risk at the balance sheet date without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Cash and balances with banks, central banks and other financial institutions	**7,564,466**	7,211,390	**1,412,880**	1,166,998
Placements with banks, central banks and other financial institutions	**19,216,094**	16,832,550	**10,681,729**	11,812,552
Trading assets	**2,440,744**	8,417,553	**2,445,585**	8,429,409
Financial assets designated at fair value through profit or loss	**8,221,040**	9,879,170	**8,221,040**	9,879,170
Advances to customers	**135,042,069**	113,715,747	**83,900,438**	69,454,832
Trade bills	**4,869,055**	4,293,776	**4,638,370**	6,639,999
Advances to banks	**—**	765,609	**—**	29,780
Loans to associated companies	**22,987**	28,650	**22,987**	28,650
Amounts due from subsidiaries	**—**	—	**16,453,343**	12,173,019
Available-for-sale financial assets	**24,163,415**	24,640,249	**18,573,443**	20,110,604
Financial guarantees and other credit related contingent liabilities	**2,188,933**	2,212,309	**2,055,852**	1,640,516
Loan commitments and other credit related commitments	**35,800,066**	45,958,744	**29,187,063**	34,660,486

(2) Credit quality of loans and advances

Advances to banks are only made to banks with good credit standing. Loans to associated companies are granted as our associated companies have good credit standing. At 31st December, 2013 and 2012, no advances to banks and loans to associated companies are past due nor impaired. The credit quality of advances to customers can be analysed as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Gross advances to customers				
—neither past due nor impaired	**133,775,830**	112,568,576	**83,660,210**	72,476,900
—past due but not impaired	**952,849**	973,452	**64,485**	108,595
—impaired (note 17(c))	**594,589**	511,783	**273,434**	251,368
	135,323,268	114,053,811	**83,998,129**	72,836,863
of which:				
Gross advances to customers				
—Grade 1: Pass	**134,279,688**	112,841,973	**83,558,467**	72,295,967
—Grade 2: Special mention	**448,991**	700,055	**166,228**	289,528

The Group classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA.

The ageing analysis of advances to customers that are past due but not impaired is as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Gross advances to customers that are past due but not impaired				
—past due 3 months or less	**919,535**	831,355	**63,313**	73,073
—6 months or less but over 3 months	**20,053**	137,290	**648**	34,341
—1 year or less but over 6 months	**13,261**	4,807	**524**	1,181
—over 1 year	**—**	—	**—**	—
	952,849	973,452	**64,485**	108,595

At 31st December, 2013, advances to customers that would be past due or impaired had the terms not been renegotiated amounted to HK$38,385,000 (2012: HK$42,495,000) and HK$30,159,000 (2012: HK$35,704,000) for the Group and the Bank respectively.

(3) Credit quality of financial assets other than advances to customers, banks and associated companies

Credit risk of treasury transactions is managed in the same way as the Group manages its corporate lending risk and risk gradings are applied to the counterparties with individual counterparty limits set. It is the Group's credit policy not to invest debt securities that are below the grading of BBB by Standard & Poor's Ratings Services or their equivalents unless it is approved by the Credit Committee.

At the balance sheet date, the credit quality of investment in debt securities analysed by designation of external credit assessment institution, Standard & Poor's Ratings Services or their equivalents, is as follows. In the absence of such issue ratings, the ratings designated for the issuers are reported.

	The Group		The Bank	
	2013	2012	2013	2012
AAA	**16,643,260**	22,780,257	**16,600,288**	22,735,113
AA- to AA+	**11,122,329**	10,559,916	**5,492,058**	5,423,287
A- to A+	**5,547,161**	5,835,471	**5,327,084**	5,673,155
BBB to BBB+	**1,002,380**	1,072,134	**952,379**	1,072,134
Lower than BBB	**975,559**	1,466,664	**890,183**	1,377,118
	35,290,689	41,714,442	**29,261,992**	36,280,807
Unrated	**2,735,089**	2,498,872	**2,132,387**	2,104,865
	38,025,778	44,213,314	**31,394,379**	38,385,672

There are no overdue debt securities included in "Financial assets designated at fair value through profit or loss" and "Available-for-sale financial assets" of the Group and the Bank as at 31st December, 2013 (2012: nil).

Included in "Other assets" of the Group and the Bank as at 31st December, 2013 and 31st December, 2012, there are no receivables which are overdue.

(4) Collateral and other credit enhancements

The Group holds collateral against advances to customers in the form of mortgages over property, other registered securities over assets, cash deposits and guarantees. Collateral generally is not held over advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The Group also holds commercial properties as collateral against loans to associated companies. Collateral held as security for financial assets or financial derivatives other than advances is determined by the nature of the instrument.

An estimate of the fair value of collateral and other credit enhancements held against past due but not impaired financial assets is as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Fair value of collateral and other credit enhancements held against financial assets that are past due but not impaired	**2,589,538**	2,846,190	**133,162**	645,868

Analysis of credit risk concentration by the economic sector of the respective financial assets is disclosed in notes 15 to 19 and the geographical concentration of the Group's assets is disclosed in note 35(b).

(b) Liquidity risk management

Liquidity risk is the risk of inability to fund an increase in assets or meet obligations as they fall due. The Group has established liquidity management policies for ensuring adequate liquidity is maintained at all times. The Group maintained an average liquidity ratio of 38.6% in 2013, which is well above the statutory requirement of 25%.

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.

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 both an institution-specific crisis scenario and a general market crisis scenario, on its liquidity position to ensure adequate liquidity is maintained at all times.

The cash flows payable by the Group for the non-derivative financial liabilities including interest payable that will be settled by remaining contractual maturities at the balance sheet date are presented in the following table. The amounts disclosed are based on the contractual undiscounted cash flows. Interest payable in respect of term non-derivative financial liabilities is reported based on contractual interest payment date. Interest payable in respect of perpetual subordinated notes is reported based on the contractual interest payable up to the Bank's optional redemption date.

	The Group							
	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	Gross cash outflow
Non-derivative financial liabilities								
Deposits and balances of banks, central banks and other financial institutions	**1,042,344**	**852,310**	**1,370,140**	**—**	**—**	**—**	**—**	**3,264,794**
Deposits from customers	**53,132,496**	**58,058,894**	**36,426,932**	**26,555,321**	**4,555,017**	**—**	**—**	**178,728,660**
Certificates of deposit issued	**—**	**4,371**	**5,151**	**1,813,409**	**2,477,940**	**—**	**—**	**4,300,871**
Subordinated liabilities	**—**	**—**	**—**	**93,046**	**558,274**	**—**	**3,101,520**	**3,752,840**
Other liabilities	**—**	**1,824,581**	**111,570**	**275,592**	**174,092**	**—**	**200,594**	**2,586,429**
	54,174,840	**60,740,156**	**37,913,793**	**28,737,368**	**7,765,323**	**—**	**3,302,114**	**192,633,594**
Unrecognised loan commitments	**24,594,683**	**338,670**	**512,922**	**8,523,742**	**1,830,049**	**—**	**—**	**35,800,066**
Financial guarantees and other credit related contingent liabilities	**220,778**	**274,821**	**380,217**	**1,175,914**	**136,582**	**—**	**621**	**2,188,933**
	24,815,461	**613,491**	**893,139**	**9,699,656**	**1,966,631**	**—**	**621**	**37,988,999**
Derivative cash flows								
Derivative financial instruments settled on net basis	**—**	**24,928**	**80,890**	**214,247**	**956,846**	**179,340**	**—**	**1,456,251**
Derivative financial instruments settled on a gross basis								
—total outflow	**—**	**17,958,790**	**8,641,039**	**8,426,300**	**1,138,281**	**—**	**—**	**36,164,410**
—total inflow	**—**	**(18,054,196)**	**(8,790,679)**	**(8,778,755)**	**(1,180,409)**	**—**	**—**	**(36,804,039)**
	—	**(95,406)**	**(149,640)**	**(352,455)**	**(42,128)**	**—**	**—**	**(639,629)**

	The Group							
	2012							
	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	Gross cash outflow
Non-derivative financial liabilities								
Deposits and balances of banks, central banks and other financial institutions	169,719	736,843	185,821	—	—	—	—	1,092,383
Deposits from customers	51,550,623	53,814,507	34,695,039	24,328,950	2,091,577	169,462	28,000	166,678,158
Certificates of deposit issued	—	359,250	173,956	1,114,424	1,012,929	—	—	2,660,559
Subordinated liabilities	—	—	81,298	176,584	744,125	—	4,844,563	5,846,570
Other liabilities	—	1,233,475	155,755	297,432	77,428	—	184,463	1,948,553
	51,720,342	56,144,075	35,291,869	25,917,390	3,926,059	169,462	5,057,026	178,226,223
Unrecognised loan commitments	30,851,228	285,921	341,665	11,487,294	2,542,880	—	449,756	45,958,744
Financial guarantees and other credit related contingent liabilities	407,769	249,245	673,233	686,918	191,889	3,041	214	2,212,309
	31,258,997	535,166	1,014,898	12,174,212	2,734,769	3,041	449,970	48,171,053
Derivative cash flows								
Derivative financial instruments settled on net basis	—	32,409	71,085	204,638	1,011,477	218,706	—	1,538,315
Derivative financial instruments settled on a gross basis								
—total outflow	—	12,179,259	13,640,777	3,792,378	135,824	—	—	29,748,238
—total inflow	—	(12,287,453)	(13,720,234)	(3,999,833)	(165,122)	—	—	(30,172,642)
	—	(108,194)	(79,457)	(207,455)	(29,298)	—	—	(424,404)

	The Bank							
	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	Gross cash outflow
Non-derivative financial liabilities								
Deposits and balances of banks, central banks and other financial institutions	**996,823**	**622,783**	**1,370,140**	**—**	**—**	**—**	**—**	**2,989,746**
Deposits from customers	**38,646,687**	**47,977,891**	**25,721,608**	**10,923,297**	**741,056**	**—**	**—**	**124,010,539**
Certificates of deposit issued	**—**	**4,371**	**5,151**	**1,813,409**	**2,477,940**	**—**	**—**	**4,300,871**
Subordinated liabilities	**—**	**—**	**—**	**93,046**	**558,274**	**—**	**3,101,520**	**3,752,840**
Other liabilities	**—**	**1,167,528**	**94,540**	**159,743**	**74,959**	**—**	**183,471**	**1,680,241**
	39,643,510	**49,772,573**	**27,191,439**	**12,989,495**	**3,852,229**	**—**	**3,284,991**	**136,734,237**
Unrecognised loan commitments	**27,193,413**	**141,179**	**94,224**	**578,408**	**1,179,839**	**—**	**—**	**29,187,063**
Financial guarantees and other credit related contingent liabilities	**419,438**	**199,740**	**298,682**	**1,069,546**	**67,825**	**—**	**621**	**2,055,852**
	27,612,851	**340,919**	**392,906**	**1,647,954**	**1,247,664**	**—**	**621**	**31,242,915**
Derivative cash flows								
Derivative financial instruments settled on net basis	**—**	**24,453**	**80,803**	**214,247**	**956,846**	**179,340**	**—**	**1,455,689**
Derivative financial instruments settled on a gross basis								
—total outflow	**—**	**17,974,297**	**9,817,712**	**8,131,456**	**1,146,035**	**—**	**—**	**37,069,500**
—total inflow	**—**	**(18,006,668)**	**(9,843,333)**	**(8,198,519)**	**(1,157,158)**	**—**	**—**	**(37,205,678)**
	—	**(32,371)**	**(25,621)**	**(67,063)**	**(11,123)**	**—**	**—**	**(136,178)**

	The Bank							
	2012							
	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	Gross cash outflow
Non-derivative financial liabilities								
Deposits and balances of banks, central banks and other financial institutions	59,424	248,645	62,691	—	—	—	—	370,760
Deposits from customers	38,510,893	45,206,321	24,311,266	10,346,682	386,842	169,462	28,000	118,959,466
Certificates of deposit issued	—	359,250	173,956	1,114,424	1,012,929	—	—	2,660,559
Subordinated liabilities	—	—	81,298	176,584	744,125	—	4,844,563	5,846,570
Other liabilities	—	729,264	107,702	166,957	54,840	—	168,606	1,227,369
	38,570,317	46,543,480	24,736,913	11,804,647	2,198,736	169,462	5,041,169	129,064,724
Unrecognised loan commitments	32,659,746	26,860	—	4,237	1,915,765	—	53,878	34,660,486
Financial guarantees and other credit related contingent liabilities	488,404	174,169	381,066	246,943	349,720	—	214	1,640,516
	33,148,150	201,029	381,066	251,180	2,265,485	—	54,092	36,301,002
Derivative cash flows								
Derivative financial instruments settled on net basis	—	31,736	70,523	204,854	1,011,477	218,706	—	1,537,296
Derivative financial instruments settled on a gross basis								
—total outflow	—	12,185,461	14,733,326	3,840,435	142,800	—	—	30,902,022
—total inflow	—	(12,265,350)	(14,760,099)	(3,855,614)	(144,187)	—	—	(31,025,250)
	—	(79,889)	(26,773)	(15,179)	(1,387)	—	—	(123,228)

The detail of the analysis on the Group's and Bank'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 note 30.

(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 or 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 derivatives 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 the 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 in 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.

(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.

Interest rate sensitivity set out below is for risk management reported to ALMCO only in simplified scenario. Actual changes in the Group's profit before tax resulting from the change in interest rates may differ from the result of the sensitivity analysis. The effect on interest-bearing financial instruments and interest rate swaps has been included in this calculation.

	2013	2012
	Increase/ (decrease) in Group's profit before tax	**Increase/ (decrease) in Group's profit before tax**
Increase in 10 basis points	**21,494**	7,569
Decrease in 10 basis points	**(21,494)**	(7,569)

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.

The following tables indicate the expected next repricing dates for the assets and liabilities at the balance sheet date.

	The Group					
	2013					
	Total	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with banks, central banks and other financial institutions	**7,564,466**	**5,987,673**	**—**	**—**	**—**	**1,576,793**
Placements with banks, central banks and other financial institutions	**19,216,094**	**16,399,834**	**2,816,260**	**—**	**—**	**—**
Trading assets	**2,440,744**	**147,458**	**423,910**	**894,227**	**—**	**975,149**
Financial assets designated at fair value through profit or loss	**8,221,040**	**256,318**	**946,897**	**5,924,213**	**1,093,612**	**—**
Advances to customers and other accounts	**137,487,644**	**114,096,437**	**11,866,495**	**9,027,673**	**196,081**	**2,300,958**
Trade bills	**4,869,055**	**2,667,463**	**2,201,592**	**—**	**—**	**—**
Advances to banks	**—**	**—**	**—**	**—**	**—**	**—**
Held-to-maturity investments	**4,391,766**	**1,862,973**	**368,608**	**1,519,889**	**640,296**	**—**
Available-for-sale financial assets	**24,163,415**	**12,673,556**	**4,877,304**	**6,048,242**	**348,274**	**216,039**
Loans to associated companies	**22,987**	**22,987**	**—**	**—**	**—**	**—**
Other assets	**5,998,678**	**—**	**—**	**—**	**—**	**5,998,678**
Total assets	**214,375,889**	**154,114,699**	**23,501,066**	**23,414,244**	**2,278,263**	**11,067,617**
Liabilities						
Deposits and balances of banks, central banks and other financial institutions	**3,258,322**	**3,243,682**	**—**	**—**	**—**	**14,640**
Deposits from customers	**177,909,960**	**135,918,072**	**26,211,898**	**4,389,290**	**14**	**11,390,686**
Certificates of deposit issued	**4,186,223**	**1,569,600**	**499,940**	**2,116,683**	**—**	**—**
Trading liabilities	**773,110**	**—**	**—**	**—**	**—**	**773,110**
Other liabilities	**3,378,775**	**62,918**	**—**	**—**	**—**	**3,315,857**
Subordinated liabilities	**3,169,279**	**—**	**—**	**3,169,279**	**—**	**—**
Total liabilities	**192,675,669**	**140,794,272**	**26,711,838**	**9,675,252**	**14**	**15,494,293**
Derivatives (in the banking book) net long/(short) position (notional amount)	**—**	**—**	**—**	**—**	**—**	**—**
Interest rate sensitivity gap	**21,700,220**	**13,320,427**	**(3,210,772)**	**13,738,992**	**2,278,249**	**(4,426,676)**

	The Group					
	2012					
	Total	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with banks, central banks and other financial institutions	7,211,390	5,806,381	—	—	—	1,405,009
Placements with banks, central banks and other financial institutions	16,832,550	12,301,900	4,530,650	—	—	—
Trading assets	8,417,553	125,750	5,933,516	927,413	603,164	827,710
Financial assets designated at fair value through profit or loss	9,879,170	483,615	58,621	6,858,977	2,477,957	—
Advances to customers and other accounts	115,859,826	93,897,128	10,829,681	8,880,605	189,710	2,062,702
Trade bills	4,293,776	1,727,242	2,566,534	—	—	—
Advances to banks	765,609	213	765,396	—	—	—
Held-to-maturity investments	2,355,665	431,532	124,086	1,351,166	448,881	—
Available-for-sale financial assets	24,640,249	13,879,978	2,623,994	6,581,265	1,303,399	251,613
Loans to associated companies	28,650	28,650	—	—	—	—
Other assets	7,079,431	—	—	—	—	7,079,431
Total assets	197,363,869	128,682,389	27,432,478	24,599,426	5,023,111	11,626,465
Liabilities						
Deposits and balances of banks, central banks and other financial institutions	1,091,462	1,081,336	—	—	—	10,126
Deposits from customers	165,935,458	129,218,751	23,992,169	1,783,897	41	10,940,600
Certificates of deposit issued	2,563,550	817,600	1,076,709	669,241	—	—
Trading liabilities	552,174	—	—	—	—	552,174
Other liabilities	2,737,015	60,635	—	—	—	2,676,380
Subordinated liabilities	4,950,430	—	1,744,043	3,206,387	—	—
Total liabilities	177,830,089	131,178,322	26,812,921	5,659,525	41	14,179,280
Derivatives (in the banking book) net long/(short) position (notional amount)	—	—	—	—	—	—
Interest rate sensitivity gap	19,533,780	(2,495,933)	619,557	18,939,901	5,023,070	(2,552,815)

	The Bank					
	2013					
	Total	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with banks, central banks and other financial institutions	**1,412,880**	**672,151**	**—**	**—**	**—**	**740,729**
Placements with banks, central banks and other financial institutions	**10,681,729**	**10,626,883**	**54,846**	**—**	**—**	**—**
Trading assets	**2,445,585**	**147,458**	**423,910**	**894,227**	**—**	**979,990**
Financial assets designated at fair value through profit or loss	**8,221,040**	**256,318**	**946,897**	**5,924,213**	**1,093,612**	**—**
Advances to customers and other accounts	**85,603,487**	**68,765,211**	**8,003,870**	**7,164,101**	**68,204**	**1,602,101**
Trade bills	**4,638,370**	**1,353,545**	**3,284,825**	**—**	**—**	**—**
Advances to banks	**—**	**—**	**—**	**—**	**—**	**—**
Held-to-maturity investments	**3,273,572**	**1,481,260**	**—**	**1,152,016**	**640,296**	**—**
Available-for-sale financial assets	**18,573,443**	**11,858,788**	**2,038,631**	**4,267,139**	**269,612**	**139,273**
Amounts due from subsidiaries	**16,453,343**	**14,296,010**	**470,076**	**1,650,412**	**—**	**36,845**
Loans to associated companies	**22,987**	**22,987**	**—**	**—**	**—**	**—**
Other assets	**7,054,042**	**—**	**—**	**—**	**—**	**7,054,042**
Total assets	**158,380,478**	**109,480,611**	**15,223,055**	**21,052,108**	**2,071,724**	**10,552,980**
Liabilities						
Deposits and balances of banks, central banks and other financial institutions	**2,983,860**	**2,971,197**	**—**	**—**	**—**	**12,663**
Deposits from customers	**123,681,929**	**102,408,382**	**10,791,034**	**685,798**	**—**	**9,796,715**
Certificates of deposit issued	**4,186,223**	**1,569,600**	**499,940**	**2,116,683**	**—**	**—**
Trading liabilities	**776,248**	**—**	**—**	**—**	**—**	**776,248**
Amounts due to subsidiaries	**5,118,100**	**4,175,950**	**536,303**	**—**	**—**	**405,847**
Other liabilities	**2,008,872**	**62,918**	**—**	**—**	**—**	**1,945,954**
Subordinated liabilities	**3,169,279**	**—**	**—**	**3,169,279**	**—**	**—**
Total liabilities	**141,924,511**	**111,188,047**	**11,827,277**	**5,971,760**	**—**	**12,937,427**
Derivatives (in the banking book) net long/(short) position (notional amount)	**—**	**—**	**—**	**—**	**—**	**—**
Interest rate sensitivity gap	**16,455,967**	**(1,707,436)**	**3,395,778**	**15,080,348**	**2,071,724**	**(2,384,447)**

	The Bank					
	2012					
	Total	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with banks, central banks and other financial institutions	1,166,998	589,139	—	—	—	577,859
Placements with banks, central banks and other financial institutions	11,812,552	9,044,769	2,767,783	—	—	—
Trading assets	8,429,409	125,751	5,933,516	927,413	603,164	839,565
Financial assets designated at fair value through profit or loss	9,879,170	483,615	58,621	6,858,977	2,477,957	—
Advances to customers and other accounts	70,948,859	56,662,192	5,327,367	7,403,215	73,501	1,482,584
Trade bills	6,639,999	901,323	5,738,676	—	—	—
Advances to banks	29,780	213	29,567	—	—	—
Held-to-maturity investments	991,778	—	—	542,897	448,881	—
Available-for-sale financial assets	20,110,604	12,483,479	1,134,970	5,087,605	1,218,826	185,724
Amounts due from subsidiaries	12,173,019	11,757,896	384,503	—	—	30,620
Loans to associated companies	28,650	28,650	—	—	—	—
Other assets	6,766,825	—	—	—	—	6,766,825
Total assets	148,977,643	92,077,027	21,375,003	20,820,107	4,822,329	9,883,177
Liabilities						
Deposits and balances of banks, central banks and other financial institutions	370,016	361,806	—	—	—	8,210
Deposits from customers	118,608,105	98,544,322	10,204,856	135,121	—	9,723,806
Certificates of deposit issued	2,563,550	817,600	1,076,709	669,241	—	—
Trading liabilities	552,911	—	—	—	—	552,911
Amounts due to subsidiaries	6,546,422	4,883,269	1,148,477	—	—	514,676
Other liabilities	1,644,988	60,635	—	—	—	1,584,353
Subordinated liabilities	4,950,430	—	1,744,043	3,206,387	—	—
Total liabilities	135,236,422	104,667,632	14,174,085	4,010,749	—	12,383,956
Derivatives (in the banking book) net long/(short) position (notional amount)	—	—	—	—	—	—
Interest rate sensitivity gap	13,741,221	(12,590,605)	7,200,918	16,809,358	4,822,329	(2,500,779)

The following table indicates the effective interest rates for the last month of the year:

	The Group		The Bank	
	2013	2012	2013	2012
	%	%	%	%
Placement with banks, central banks and other financial institutions	**2.80**	1.51	**1.32**	0.44
Advances to customers and trade bills	**3.23**	3.37	**2.67**	2.82
Debt securities	**2.35**	2.38	**2.34**	2.33
	3.01	2.89	**2.46**	2.40
Deposits and balances of banks, central banks and other financial institutions	**1.22**	0.72	**0.96**	0.61
Deposits from customers	**1.34**	1.29	**0.93**	0.98
Certificates of deposit issued	**1.42**	2.38	**1.42**	2.38
Subordinated liabilities	**5.89**	7.29	**5.89**	7.29
	1.42	1.48	**1.07**	1.24

(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 dollars, 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.

	The Group					
	2013			2012		
(In millions of HK$ equivalent)	US$	Chinese Renminbi	Total	US$	Chinese Renminbi	Total
Spot assets	**42,464**	**40,892**	**94,976**	49,028	37,031	95,644
Spot liabilities	**(31,327)**	**(42,184)**	**(92,252)**	(30,857)	(37,868)	(87,581)
Forward purchases	**12,217**	**8,154**	**28,904**	6,884	3,249	21,210
Forward sales	**(24,472)**	**(4,085)**	**(29,971)**	(23,371)	(1,476)	(26,625)
Net option positions	**1,341**	**(2,495)**	**(1,152)**	(1,055)	(924)	(1,990)
Net long positions	**223**	**282**	**505**	629	12	658

(In millions of HK$ equivalent)	The Group 2013 Macau Patacas	Chinese Renminbi	US$	Total
Net structural positions	**831**	**2,412**	**691**	**3,934**

(In millions of HK$ equivalent)	The Group 2012 Macau Patacas	Chinese Renminbi	US$	Total
Net structural positions	737	2,134	770	3,641

(In millions of HK$ equivalent)	The Bank 2013 US$	Chinese Renminbi	Total	2012 US$	Chinese Renminbi	Total
Spot assets	**39,429**	**6,118**	**56,870**	46,262	7,284	63,054
Spot liabilities	**(28,549)**	**(7,292)**	**(54,287)**	(28,199)	(8,020)	(54,998)
Forward purchases	**12,341**	**8,155**	**29,028**	6,993	3,249	21,319
Forward sales	**(24,337)**	**(4,213)**	**(29,962)**	(23,372)	(1,585)	(26,735)
Net option positions	**1,341**	**(2,495)**	**(1,152)**	(1,055)	(924)	(1,990)
Net long positions	**225**	**273**	**497**	629	4	650

(In millions of HK$ equivalent)	The Bank 2013 Macau Patacas	Chinese Renminbi	US$	Total
Net structural positions	**831**	**2,412**	**691**	**3,934**

(In millions of HK$ equivalent)	The Bank 2012 Macau Patacas	Chinese Renminbi	US$	Total
Net structural positions	737	2,134	770	3,641

(iii) Equity risk

The Group's equities exposures in 2013 and 2012 are mainly in long-term equity investments which are reported as "Available-for-sale financial assets" set out in note 19. Equities held for trading purpose are included under "Trading assets" set out in note 15. 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 the higher shareholder returns that might otherwise be possible with greater gearing and the 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.

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 year ended 31st December, 2013 and 2012 and are well above the minimum required ratio set by the HKMA.

The capital ratios as at 31st December, 2013 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 ("the Capital Rules"). The ratios as of 31st December, 2013 are compiled in accordance with the amended Capital Rules effective from 1st January, 2013 for the implementation of the Basel III capital accord, whereas the ratios as of 31st December, 2012 were compiled in accordance with the pre-amended Capital Rules as in force immediately before 1st January, 2013.

(f) Transfers of financial assets

As of 31st December, 2013, the Group and the Bank entered into repurchase agreements with certain banks and customers to sell debt securities of carrying amount of HK$982,212,000 (2012: HK$950,797,000) and HK$982,212,000 (2012: HK$575,883,000) respectively 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:

	The Group		The Bank	
	2013	2012	2013	2012
Held-to-maturities investments	**241,180**	46,845	**241,180**	46,845
Available-for-sale financial assets	**225,829**	444,311	**225,829**	69,397
Financial assets designated at fair value through profit or loss	**507,906**	459,641	**507,906**	459,641
Trading assets	**7,297**	—	**7,297**	—
	982,212	950,797	**982,212**	575,883

The consideration received under these repurchase agreements for the Group and the Bank totaling HK$927,181,000 (2012: HK$909,544,000) and HK$927,181,000 (2012: HK$542,227,000) respectively were reported as "Deposits and balances of banks, central banks and other financial institutions" and "Deposits from customers" at 31st December, 2013 and 31st December, 2012. The details are as follows:

	The Group		The Bank	
	2013	2012	2013	2012
Deposits and balances of banks, central banks and other financial institutions	**211,293**	615,689	**211,293**	248,372
Deposits from customers	**715,888**	293,855	**715,888**	293,855
	927,181	909,544	**927,181**	542,227

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 31st December, 2013 and 31st December, 2012, there were no outstanding transferred financial assets in which the Group and the Bank have a continuing involvement, that were derecognised in their entirety.

38. Staff benefits

(a) Retirement schemes

	The Group	
	2013	2012
Retirement benefit costs (note 5(f))	**72,274**	70,521

The Group operates both a Mandatory Provident Fund Exempt ORSO Scheme ("the ORSO Scheme") which is registered under the Hong Kong Occupational Retirement Schemes Ordinance and two Mandatory Provident Fund Schemes ("the MPF Schemes") established under the Hong Kong Mandatory Provident Fund Ordinance to cover all qualifying employees in Hong Kong. As from 1st August, 2004, the ORSO Scheme has been frozen as employees and the employer have made the contributions to MPF Schemes instead. In addition, a defined contribution scheme was established on 3rd January, 2001 to cover all qualifying employees in Macau at various funding rates, in accordance with the local practice and requirements. The costs of these schemes are charged to

the income statement as incurred and the assets of these schemes are held separately from the Group. Any forfeiture amount under the MPF Schemes is refunded to the Group when the member leaves employment prior to the employer's voluntary contributions being vested fully.

(b) Equity compensation benefits

(i) Share Option Scheme

Pursuant to the approved Share Option Scheme, the directors are authorised, at their discretion, to invite certain executive, to take up options to purchase ordinary shares in the Bank as an incentive to them. Prior to 1st September, 2001, the exercise price was 80% of the average closing price on The Stock Exchange of Hong Kong Limited ("SEHK") on the five business days immediately preceding the date of offer of such options. After 1st September, 2001, the exercise price should be at least the higher of the closing price of the shares on SEHK on the date of the grant, which must be a trading day, and the average closing price of the shares on SEHK for the five business days immediately preceding the date of grant.

(1) Movements in share options

	2013		2012	
	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares
	HK$		HK$	
Outstanding at 1st January	**47.10**	**485,000**	43.24	595,000
Exercised	**43.80**	**(25,000)**	26.25	(110,000)
Outstanding and exercisable at 31st December	**47.28**	**460,000**	47.10	485,000

No share options were granted during 2013 and 2012.

(2) Terms and conditions of unexpired and unexercised share options at balance sheet date

		2013	2012
Date of options granted	Exercise price	Number of shares	Number of shares
	HK$		
21/05/2004	43.80	**240,000**	265,000
14/01/2005	51.25	**180,000**	180,000
28/01/2005	50.25	**40,000**	40,000
		460,000	485,000

The options granted under the Share Option Scheme will be exercisable between the first and the tenth anniversaries of the date of grant, and settled by physical delivery of shares.

The options outstanding at 31st December, 2013 have a weighted average remaining contractual life of 0.70 years (2012: 1.69 years).

(3) Details of share options exercised during the year

Exercise date	Exercise price	Weighted average closing price per share at preceding day before exercise date	Proceeds received	2013 Number of shares	2012 Number of shares
	HK$	HK$	HK$		
11/12/2012	25.80	79.85	1,032,000	**—**	40,000
11/12/2012	26.50	79.85	1,855,000	**—**	70,000
13/05/2013	43.80	80.80	1,095,000	**25,000**	—
				25,000	110,000

The weighted average share price at the exercise date for share options exercised in 2013 was HK$78.90 (2012: HK$78.45).

(4) Fair value of share options and assumptions

The fair value per option at the dates of grant was measured based on the Binominal pricing model. The Binominal pricing model was used in estimating the fair value of share options after taking into account the exercise price and the life of the option. Such option pricing model requires the input of highly subjective assumptions including the risk-free interest rate, expected volatility and dividend yield of the shares. The changes in subjective input assumptions can materially affect the fair value estimate.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. The fair values of the options were measured at the grant date and are charged to the income statement and credited to shareholders' funds between the grant date and vesting date. There were no market conditions associated with the share option grants.

(ii) EIP

Pursuant to the approved EIP, the directors are authorised, at their discretion, to invite certain executives, to take up awards to vesting ordinary shares in the Bank as incentive for them to remain in employment with the Bank. The EIP was approved on 30th April, 2009 for the purposes of renewing the employee incentive plan which was approved on 22nd April, 2004 and has expired in April 2009. Under the EIP, the directors may during the first five years after the EIP was approved granted awards to certain executives to acquire ordinary shares in the Bank. The number of shares that may be issued under EIP may not exceed one million shares.

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%

Movement in EIP during the year is as follow:

	2013	2012
	Number of awards	Number of awards
Outstanding at 1st January	**2,073,500**	2,225,750
Exercised	**(262,000)**	(152,250)
Lapsed	**—**	—
Outstanding and exercisable at 31st December	**1,811,500**	2,073,500

At 31st December, 2013, the Directors and employees of the Bank have the following interest in awards to purchase the ordinary shares in the Bank:

		2013		2012	
Date of awards granted	Exercise price	Fair value of awards at date of grant	Number of shares	Fair value of awards at date of grant	Number of shares
	HK$				
21/05/2004	1.00	**10,593,000**	**247,500**	14,830,200	346,500
23/01/2006	1.00	**74,521,200**	**1,326,000**	83,288,400	1,482,000
29/01/2007	1.00	**12,581,800**	**133,000**	13,244,000	140,000
05/11/2009	1.00	**7,822,500**	**105,000**	7,822,500	105,000
		105,518,500	**1,811,500**	119,185,100	2,073,500

The fair value per award at the date of grant is determined based on the closing price of the shares of the Bank less the exercise price of the award. There are no awards granted during the year (2012: nil).

39. 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:

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

- 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.
- 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.

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:

	The Group			
	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Trading assets				
—Treasury bills	**1,075,813**	**25,481**	**—**	**1,101,294**
—Certificates of deposit held	**—**	**—**	**—**	**—**
—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				
Certificates of deposit issued				
—Structured certificates of deposit issued designated at fair value through profit or loss	**—**	**—**	**—**	**—**
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**

	The Group			
	2012			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Trading assets				
—Treasury bills	6,888,072	12	—	6,888,084
—Certificates of deposit held	111,765	—	—	111,765
—Other debt securities	387,517	202,477	—	589,994
—Equity securities	1,346	—	—	1,346
—Positive fair values of derivative financial instruments held for trading	—	826,364	—	826,364
	7,388,700	1,028,853	—	8,417,553
Financial assets designated at fair value through profit or loss				
—Treasury bills	148,513	—	—	148,513
—Other debt securities	8,593,334	1,043,772	93,551	9,730,657
	8,741,847	1,043,772	93,551	9,879,170
Available-for-sale financial assets				
—Treasury bills	8,869,405	1,516,533	—	10,385,938
—Certificates of deposit held	541,175	832,433	—	1,373,608
—Other debt securities	10,260,347	2,368,743	—	12,629,090
—Equity securities	69,746	17,129	95,973	182,848
	19,740,673	4,734,838	95,973	24,571,484
	35,871,220	6,807,463	189,524	42,868,207
Liabilities				
Certificates of deposit issued				
—Structured certificates of deposit issued designated at fair value through profit or loss	—	150,351	—	150,351
Trading liabilities				
—Negative fair values of derivative financial instruments held for trading	—	552,174	—	552,174
Subordinated liabilities				
—Subordinated liabilities designated at fair value through profit or loss	—	3,206,387	—	3,206,387
	—	3,908,912	—	3,908,912

	The Bank			
	2013			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Trading assets				
—Treasury bills	**1,075,813**	**25,481**	**—**	**1,101,294**
—Certificates of deposit held	**—**	**—**	**—**	**—**
—Other debt securities	**170,823**	**193,479**	**—**	**364,302**
—Equity securities	**7,085**	**—**	**—**	**7,085**
—Positive fair values of derivative financial instruments held for trading	**—**	**972,904**	**—**	**972,904**
	1,253,721	**1,191,864**	**—**	**2,445,585**
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	**7,897,336**	**142,095**	**—**	**8,039,431**
—Certificates of deposit held	**—**	**834,021**	**—**	**834,021**
—Other debt securities	**8,076,452**	**1,484,267**	**—**	**9,560,719**
—Equity securities	**76,952**	**21,721**	**5,120**	**103,793**
	16,050,740	**2,482,104**	**5,120**	**18,537,964**
	24,513,665	**4,685,804**	**5,120**	**29,204,589**
Liabilities				
Certificates of deposit issued				
—Structured certificates of deposit issued designated at fair value through profit or loss	**—**	**—**	**—**	**—**
Trading liabilities				
—Negative fair values of derivative financial instruments held for trading	**—**	**776,248**	**—**	**776,248**
Subordinated liabilities				
—Subordinated liabilities designated at fair value through profit or loss	**—**	**3,169,279**	**—**	**3,169,279**
	—	**3,945,527**	**—**	**3,945,527**

	The Bank			
	2012			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Trading assets				
—Treasury bills	6,888,072	12	—	6,888,084
—Certificates of deposit held	111,765	—	—	111,765
—Other debt securities	387,517	202,477	—	589,994
—Equity securities	943	—	—	943
—Positive fair values of derivative financial instruments held for trading	—	838,623	—	838,623
	7,388,297	1,041,112	—	8,429,409
Financial assets designated at fair value through profit or loss				
—Treasury bills	148,513	—	—	148,513
—Other debt securities	8,593,334	1,043,772	93,551	9,730,657
	8,741,847	1,043,772	93,551	9,879,170
Available-for-sale financial assets				
—Treasury bills	6,258,783	435,374	—	6,694,157
—Certificates of deposit held	541,175	832,433	—	1,373,608
—Other debt securities	9,528,609	2,328,507	—	11,857,116
—Equity securities	53,356	12,863	84,025	150,244
	16,381,923	3,609,177	84,025	20,075,125
	32,512,067	5,694,061	177,576	38,383,704
Liabilities				
Certificates of deposit issued				
—Structured certificates of deposit issued designated at fair value through profit or loss	—	150,351	—	150,351
Trading liabilities				
—Negative fair values of derivative financial instruments held for trading	—	552,911	—	552,911
Subordinated liabilities				
—Subordinated liabilities designated at fair value through profit or loss	—	3,206,387	—	3,206,387
	—	3,909,649	—	3,909,649

During the year ended 31st December, 2013, there were no material transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31st December, 2012: 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.

(i) Valuation of financial instruments with significant unobservable inputs

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

	The Group		
	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	**—**	**—**	**—**

	The Group		
	2012		
	Financial assets designated at fair value through profit or loss—Debt securities	Available-for-sale financial assets—Equity securities	Total
Assets			
At 1st January	43,368	94,754	138,122
Settlements	—	—	—
Changes in fair value recognised in the income statement:			
—Net gains from financial instruments designated at fair value through profit or loss	50,183	—	50,183
Changes in fair value recognised in the other comprehensive income	—	1,219	1,219
At 31st December	93,551	95,973	189,524
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	—	1,219	1,219
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	50,183	—	50,183

	The Bank		
	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**	**84,025**	**177,576**
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	**—**	**5,120**	**5,120**
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	**—**	**—**	**—**

	The Bank		
	2012		
	Financial assets designated at fair value through profit or loss—Debt securities	Available-for-sale financial assets—Equity securities	Total
Assets			
At 1st January	43,368	82,806	126,174
Settlements	—	—	—
Changes in fair value recognised in the income statement:			
—Net gains from financial instruments designated at fair value through profit or loss	50,183	—	50,183
Changes in fair value recognised in the other comprehensive income	—	1,219	1,219
At 31st December	93,551	84,025	177,576
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	—	1,219	1,219
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	50,183	—	50,183

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

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.

	The Group			
	2013			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets designated at fair value through profit or loss				
—Debt securities	—	—	—	—
Available-for-sale financial assets				
—Equity securities	—	—	**1,707**	**(1,707)**
	—	—	**1,707**	**(1,707)**

	The Group			
	2012			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets designated at fair value through profit or loss				
—Debt securities	9,355	(9,355)	—	—
Available-for-sale financial assets				
—Equity securities	—	—	1,707	(1,707)
	9,355	(9,355)	1,707	(1,707)

	The Bank			
	2013			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets designated at fair value through profit or loss				
—Debt securities	—	—	—	—
Available-for-sale financial assets				
—Equity securities	—	—	**512**	**(512)**
	—	**—**	**512**	**(512)**

	The Bank			
	2012			
	Reflected in profit/(loss)		Reflected in other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets designated at fair value through profit or loss				
—Debt securities	9,355	(9,355)	—	—
Available-for-sale financial assets				
—Equity securities	—	—	512	(512)
	9,355	(9,355)	512	(512)

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

The carrying amounts of the Group's and the Bank's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2013 and 31st December, 2012 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	The Group						
	2013					2012	
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets							
Held-to-maturity investments	**4,391,766**	**4,380,002**	**3,469,396**	**910,606**	**—**	2,355,665	2,400,060
Financial liabilities							
Certificates of deposit issued at amortised cost	**4,186,223**	**4,208,438**	**—**	**4,208,438**	**—**	2,413,199	2,439,028
Subordinated liabilities valued at amortised cost	**—**	**—**	**—**	**—**	**—**	1,744,043	1,831,123

	The Bank						
	2013					2012	
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets							
Held-to-maturity investments	**3,273,572**	**3,273,780**	**2,412,873**	**860,907**	**—**	991,778	1,049,897
Financial liabilities							
Certificates of deposit issued at amortised cost	**4,186,223**	**4,208,438**	**—**	**4,208,438**	**—**	2,413,199	2,439,028
Subordinated liabilities valued at amortised cost	**—**	**—**	**—**	**—**	**—**	1,744,043	1,831,123

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.

40. Possible impact of amendments, new standards and Interpretations issued but not yet effective for the year ended 31st December, 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31st December, 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1st January, 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	1st January, 2014
HKFRS 9, *Financial instruments*	Undetermined (not earlier than 1st January, 2015)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

As for HKFRS 9, since these exists uncertainties with regard to final requirements, it remains impracticable to quantify the effect of HKFRS 9 as at the date of publication of these financial statements.

41. Approval of the financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 6th March, 2014.

III. INDEBTEDNESS

At the close of business on 30 April 2014, the WHB Group had the following indebtedness:

(i) outstanding certificates of deposit with carrying value of approximately HK$5,076 million issued;

(ii) outstanding amount with carrying value of approximately HK$3,273 million of an original US$400 million perpetual subordinated note issued;

(iii) deposits from customers and deposits and balances of banks, central banks and other financial institutions and financial assets sold under repurchase agreements that arose from the normal course of our banking business; and

(iv) direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of our banking business.

Save as disclosed above and apart from intra-group liabilities, the WHB Group did not have, at the close of business on 30 April 2014, any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

IV. MATERIAL CHANGE

The WHB Directors confirm that, as at the Latest Practicable Date, there had been no material changes in the financial or trading position or outlook of the WHB Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the WHB Group were made up.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Offers, OCBC, the Offeror and WHB.

The information contained in this Composite Document relating to OCBC has been supplied by OCBC. As at the date of this Composite Document, the directors of OCBC are Dr Cheong Choong Kong, Mr David Philbrick Conner, Mr Lai Teck Poh, Mr Lee Seng Wee, Dr Lee Tih Shih, Dato' Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Pramukti Surjaudaja, Mr Tan Ngiap Joo, Dr Teh Kok Peng, Mr Samuel N. Tsien and Mr Wee Joo Yeow. The issue of this Composite Document has been approved by the directors of OCBC, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to WHB or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by WHB or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to the Offeror has been supplied by the Offeror. As at the date of this Composite Document, the directors of the Offeror are Mr Ching Wei Hong, Mr Darren Tan Siew Peng and Mr Samuel N. Tsien. The issue of this Composite Document has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to OCBC, WHB or any of their associates or any parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by OCBC, WHB or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to WHB has been supplied by WHB. As at the date of this Composite Document, the directors of WHB are Dr Fung Yuk Bun Patrick, Mr Frank John Wang, Mr Fung Yuk Sing Michael, Mr Ho Chi Wai Louis, Mr Stephen Dubois Lackey, Mr Brian Gerard Rogan, Dr Cheng Hon Kwan, Mr Lau Hon Chuen Ambrose, Mr Li Sze Kuen Billy and Mr Tse Hau Yin Aloysius. The issue of this Composite Document has been approved by the WHB Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to OCBC, the Offeror or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by OCBC, the Offeror or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL OF WHB

As at the Latest Practicable Date, the share capital of WHB was as follows:

	Number of shares
Ordinary shares	308,380,222
Issued and fully paid:	
Balance as at 31 December 2013	307,424,722
Shares issued since 31 December 2013	955,500
Balance as at the Latest Practicable Date	308,380,222

All of the WHB Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The WHB Shares are listed on the Main Board of the Stock Exchange and no WHB Shares are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

OUTSTANDING AWARDS

As at the Latest Practicable Date, there are a total of 1,316,000 outstanding Awards in respect of 1,316,000 WHB Shares entitling the WHB Optionholders to subscribe for an aggregate of 1,316,000 WHB Shares. The Awards vest with an acquisition price of HK$1.00.

DISCLOSURE OF INTERESTS

(a) Interests of the Offeror in WHB

As at the Latest Practicable Date, the Offeror held 7,704,500 WHB Shares (as defined in Note 4 to Rule 22 of the Code), representing approximately 2.50 per cent. of the issued share capital of WHB and did not have any interest in any warrants, options, derivatives or securities carrying conversion or subscription rights into WHB Shares.

The Offeror completed the acquisition of these relevant securities from the Selling Shareholder on 2 April 2014 at a price of HK$126.62 per WHB Share (representing the Offer Price of HK$125 per WHB Share plus the Final Dividend of HK$1.62 per WHB Share).

(b) Interests of the Offeror's directors in WHB

As at the Latest Practicable Date, none of the Offeror's directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(c) Interests of the Concert Parties in WHB

As at the Latest Practicable Date, none of the Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(d) Interests of WHB and WHB Directors in the Offeror

As at the Latest Practicable Date, neither WHB nor any WHB Director owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Offeror.

(e) Interests of WHB Directors in WHB

As at the Latest Practicable Date, the following WHB Directors had the following interests in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB:

Name of WHB Director	Personal interest	Family Interest	Award[2]	Total	Percentage of WHB's issued share capital
Fung Yuk Bun Patrick	3,752,000	—	315,000	4,067,000[1]	1.32
Fung Yuk Sing Michael	3,425,500	60,000	157,500	3,643,000[1]	1.18
Ho Chi Wai Louis	324,500	103,000	—	427,500[1]	0.14
Lau Hon Chuen Ambrose	76,931	—	—	76,931	0.02
Frank John Wang	286,000	—	189,000	475,000	0.15

Notes:

(1) 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., which in aggregate are entitled to exercise control over 62,267,100 WHB Shares.

(2) These Awards are currently outstanding and unvested, and would automatically vest upon the share offer becoming wholly unconditional, which is on the Offer Unconditional Date.

(f) Other disclosures

(i) Prior to the posting of this Composite Document:

(A) The Undertaking Shareholders have irrevocably undertaken to the Offeror and BofAML that the Share Offer will be accepted by them in respect of all of the WHB Shares held by them, being 138,113,036 WHB Shares representing approximately 44.79 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

The 138,113,036 WHB Shares are held by the Undertaking Shareholders as follows:

Name of Undertaking Shareholder	No. of WHB Shares held	Percentage of WHB's issued share capital
Fung Family	74,297,100	24.09
BNY	63,815,936	20.69

(B) The Additional Undertaking Shareholders have irrevocably undertaken to the Offeror and BofAML that the Share Offer will be accepted by them in respect of all of the WHB Shares held by them, being 10,609,907 WHB Shares and representing approximately 3.44 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

The 10,609,907 WHB Shares are held by the Additional Undertaking Shareholders as follows:

Name of Additional Undertaking Shareholder	No. of WHB Shares held	Percentage of WHB's issued share capital
Shiu Tim Limited	3,115,200	1.01
Wu Jieh Yee Co. Ltd.	2,148,474	0.70
Wu Po Kung	2,524,733	0.82
Lee Bernard Ming Tak	561,000	0.18
Lee Sui Kau Doreen	528,000	0.17
Lee Christina Sui Hang	528,000	0.17
Fung Yiu Tsai	457,500	0.15
Stanley Sui Chi Yuen	136,500	0.04
Frank John Wang	286,000	0.09
Ho Chi Wai Louis	324,500	0.11

(C) The IU Shares together with the AIU Shares comprise approximately 48.23 per cent. of the issued share capital of WHB as at the Latest Practicable Date.

(ii) Save as disclosed in paragraph f(i) above, as at the Latest Practicable Date:

(A) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Offeror or any Concert Parties.

(B) None of the Offeror or any Concert Parties (save for those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB, save for any borrowed WHB Shares which had been either on-lent or sold.

(C) None of the subsidiaries of WHB, any pension funds of the WHB Group and any adviser to WHB as specified in class (2) of the definition of "associate" under the Code (but excluding exempt principal traders) owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(D) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with WHB or with any person who was an associate of WHB by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Code.

(E) No relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with WHB.

(F) Each of the WHB Directors who had a beneficial holding in WHB Shares and/or Awards had indicated that he intended to accept the Share Offer and/or the Option Offer in respect of his own beneficial ownership in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(G) Neither WHB nor any of the WHB Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB, save for any borrowed WHB Shares which had been either on-lent or sold.

DEALINGS IN SECURITIES

(a) During the Relevant Period:

(i) Save for acquisition of 7,704,500 WHB Shares from the Selling Shareholder and the following dealing by J.P. Morgan, none of the Offeror, its directors and Concert Parties (excluding those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB:

Dealing date	Nature	Number of Shares	Total amount paid *HK$*	Price (High) *HK$*	Price (Low) *HK$*
5 June 2014	Purchase due to error trade	2,500	310,000	124.00	124.00

Notes:

1. Dealings were made for J.P. Morgan's error account.

(ii) No person who had irrevocably committed themselves to accept or reject the Share Offer had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(iii) None of the Offeror and Concert Parties (excluding those entities controlling, controlled by or under the same control as BofAML or J.P. Morgan that are exempt principal traders or exempt fund managers) who had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB, save for any borrowed WHB Shares which had been either on-lent or sold, had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

(iv) The following WHB Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB:

WHB Directors' dealings in the relevant securities during the Relevant Period

Name of WHB Director	No. of WHB Shares allotted under Employee Incentive Plan 3 April 2013	No. of WHB Shares allotted under Employee Incentive Plan 4 June 2013	No. of WHB Shares allotted under scrip dividend scheme 25 June 2013	No. of WHB Shares allotted under Employee Incentive Plan 3 April 2014	No. of WHB Shares allotted under Share Option Scheme 3 April 2014	No. of WHB Shares allotted under Employee Incentive Plan 26 May 2014	Total no. of WHB Shares involved
Fung Yuk Bun Patrick	45,000	40,000	76,000	67,500	100,000	100,000	428,500
Fung Yuk Sing Michael	22,500	20,000	—	33,750	80,000	50,000	206,250
Frank John Wang	27,000	25,000	—	40,500	80,000	62,500	235,000
Ho Chi Wai Louis	—	2,000	7,000	—	—	5,000	14,000
Lau Hon Chuen Ambrose	—	—	1,700	—	—	—	1,700

Redemption of US$225,000,000 9.375% Perpetual Subordinated Notes by WHB from the following WHB Directors on 11 September 2013

	Amount (US$)				
Name of WHB Director	Personal interest	Family interest	Corporate interest	Others *	Total
Fung Yuk Bun Patrick	2,000,000	—	—	4,000,000	6,000,000
Fung Yuk Sing Michael	—	400,000	1,100,000	4,000,000	5,500,000
Ho Chi Wai Louis	—	230,000	—	4,000,000	4,230,000

* These interests represented US$2,000,000 held by Po Ding Company Limited and US$2,000,000 held by YKF Holding (PTC) Corporation. Both Po Ding Company Limited and YKF Holding (PTC) Corporation are trusts 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.

(v) Neither WHB nor any of the WHB Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Offeror.

(b) During the Offer Period and up to the Latest Practicable Date:

(i) Save as disclosed below, none of the subsidiaries of WHB, any pension funds of the WHB Group and any adviser to WHB as specified in class (2) of the definition of "associate" under the Code (but excluding exempt trades carried out by exempt principal traders) had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

Party	Trade date	Description of transaction	Number and description of relevant securities of WHB	Highest (H) and Lowest (L) prices paid or received
Goldman Sachs (Asia) L.L.C. (Note 1)	13 November 2013	Bought (principal trade)	30,500 WHB ordinary shares	(H) HK$105 (L) HK$104.6
	20 November 2013	Bought (principal trade)	21,500 WHB ordinary shares	(H) HK$106.8 (L) HK$106.5
	20 November 2013	Bought (principal trade)	7,000 WHB ordinary shares	(H) HK$106.2 (L) HK$105.5
	22 November 2013	Bought (principal trade)	48,500 WHB ordinary shares	(H) HK$107 (L) HK$105.3
	25 November 2013	Bought (principal trade)	15,000 WHB ordinary shares	(H) HK$106.8 (L) HK$106.2
	27 November 2013	Bought (principal trade)	29,000 WHB ordinary shares	(H) HK$108.8 (L) HK$107.8
	29 November 2013	Bought (principal trade)	65,000 WHB ordinary shares	(H) HK$114.9 (L) HK$111.2
	2 December 2013	Bought (principal trade)	64,500 WHB ordinary shares	(H) HK$114.8 (L) HK$113.4
	2 December 2013	Bought (hedging against newly created CFD(Note 2))	8,000 WHB ordinary shares	(H) HK$114.7 (L) HK$113.6
	3 December 2013	Bought (hedging against newly created CFD)	8,000 WHB ordinary shares	(H) HK$113.9 (L) HK$113.2
	4 December 2013	Sold (principal trade)	4,000 WHB ordinary shares	(H) HK$117.4 (L) HK$117
	4 December 2013	Bought (principal trade)	21,500 WHB ordinary shares	(H) HK$118.3 (L) HK$117.8
	4 December 2013	Bought (hedging against newly created CFD)	8,500 WHB ordinary shares	(H) HK$118.8 (L) HK$116.9
	5 December 2013	Sold (principal trade)	54,000 WHB ordinary shares	(H) HK$118.8 (L) HK$117.4
	9 December 2013	Bought (principal trade)	6,500 WHB ordinary shares	(H) HK$115.7 (L) HK$114.9
	11 December 2013	Bought (hedging against newly created CFD)	6,500 WHB ordinary shares	(H) HK$112.3 (L) HK$109.8
	12 December 2013	Sold (principal trade)	12,500 WHB ordinary shares	(H) HK$109.6 (L) HK$109.1
	3 January 2014	Bought (hedging against newly created CFD)	3,000 WHB ordinary shares	(H) HK$117.8 (L) HK$116.6
	6 January 2014	Bought (principal trade)	48,000 WHB ordinary shares	(H) HK$116.5 (L) HK$112
	6 January 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$110 (L) HK$110
	6 January 2014	Bought (principal trade)	10,000 WHB ordinary shares	(H) HK$110 (L) HK$110

Party	Date	Description of relevant securities	Maturity date/ closing out date	Nature of transaction	No. of WHB Shares concerned	Unit price	Resultant balance
Goldman Sachs (Asia) L.L.C. (Note 1)	2 December 2013	Ordinary shares – Equity CFD	6 December 2023	Entering into CFD contract with client	8,000	HK$114.15	8,000
	3 December 2013	Ordinary shares – Equity CFD	6 December 2023	Entering into CFD contract with client	8,000	HK$113.61	8,000
	4 December 2013	Ordinary shares – Equity CFD	6 December 2023	Entering into CFD contract with client	8,500	HK$117.98	8,500
	11 December 2013	Ordinary shares – Equity CFD	13 December 2023	Entering into CFD contract with client	6,500	HK$110.91	6,500
	3 January 2014	Ordinary shares – Equity CFD	5 January 2024	Entering into CFD contract with client	3,000	HK$117.15	3,000

Note 1: Goldman Sachs (Asia) L.L.C. is an exempt principal trader and an associate of WHB under class (2) of the definition of "associate" of the Hong Kong Code on Takeovers and Mergers. Although Goldman Sachs (Asia) L.L.C. has exempt principal trader status, the trades set out above are non-exempt trades and the exempt principal trader status does not apply in respect of the above trades.

Note 2: CFD means contract for difference.

Party	Trade date	Description of transaction	Number and description of relevant securities of WHB	Highest (H) and Lowest (L) prices paid or received
Nomura Securities International Inc. and Nomura International Plc (Note 1)	27 September 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$117.238 (L) HK$117.238
	08 October 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$116.112 (L) HK$116.112
	09 October 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$115.464 (L) HK$115.464
	10 October 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$115.464 (L) HK$115.464
	17 October 2013	Sold (client hedging)	5,000 WHB ordinary shares	(H) HK$114.2 (L) HK$113.8
	18 October 2013	Sold (client hedging)	1,500 WHB ordinary shares	(H) HK$113.066 (L) HK$113.066
	18 October 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$113.334 (L) HK$113.334
	21 October 2013	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$114.902 (L) HK$114.902
	21 October 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$114.365 (L) HK$114.365
	22 October 2013	Bought (principal trade)	5,500 WHB ordinary shares	(H) HK$114.9 (L) HK$114.1
	22 October 2013	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$114.185 (L) HK$114.185
	23 October 2013	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$113.467 (L) HK$113.467
	24 October 2013	Sold (client hedging)	3,500 WHB ordinary shares	(H) HK$117.461 (L) HK$117.311
	25 October 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$114.964 (L) HK$114.964
	28 October 2013	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$113.167 (L) HK$113.167
	29 October 2013	Bought (client hedging)	2,500 WHB ordinary shares	(H) HK$113.073 (L) HK$113.073
	30 October 2013	Bought (client hedging)	2,500 WHB ordinary shares	(H) HK$113.193 (L) HK$113.193
	31 October 2013	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$111.582 (L) HK$111.582
	01 November 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$110.27 (L) HK$110.27
	01 November 2013	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$110.63 (L) HK$110.63
	04 November 2013	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$111.732 (L) HK$111.732
	04 November 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$111.568 (L) HK$111.568
	06 November 2013	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$107.577 (L) HK$107.577
	08 November 2013	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$102.0 (L) HK$101.9
	11 November 2013	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$106.2 (L) HK$102.8
	12 November 2013	Bought (client hedging)	6,000 WHB ordinary shares	(H) HK$110.9 (L) HK$110.4
	12 November 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$111.1 (L) HK$111.0
	13 November 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$105.076 (L) HK$105.076
	14 November 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$103.822 (L) HK$103.822
	15 November 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$103.622 (L) HK$103.622
	18 November 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$105.624 (L) HK$105.624
	20 November 2013	Sold (client hedging)	1,500 WHB ordinary shares	(H) HK$106.7 (L) HK$106.6
	21 November 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$104.676 (L) HK$104.676
	21 November 2013	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$104.723 (L) HK$104.723
	25 November 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$106.474 (L) HK$106.474
	26 November 2013	Sold (client hedging)	3,500 WHB ordinary shares	(H) HK$107.402 (L) HK$107.402
	26 November 2013	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$108.027 (L) HK$108.027
	27 November 2013	Sold (client hedging)	2,000 WHB ordinary shares	(H) HK$108.272 (L) HK$107.873
	27 November 2013	Bought (client transaction)	10,000 WHB ordinary shares	(H) HK$108.5 (L) HK$107.8
	28 November 2013	Sold (client hedging)	4,000 WHB ordinary shares	(H) HK$110.769 (L) HK$110.626

Party	Trade date	Description of transaction	Number and description of relevant securities of WHB	Highest (H) and Lowest (L) prices paid or received
	28 November 2013	Bought (client transaction)	31,500 WHB ordinary shares	(H) HK$112.3 (L) HK$108.2
	29 November 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$113.816 (L) HK$113.816
	29 November 2013	Bought (client hedging)	97,500 WHB ordinary shares	(H) HK$115.0 (L) HK$111.3
	02 December 2013	Bought (client hedging)	50,500 WHB ordinary shares	(H) HK$114.7 (L) HK$113.2
	03 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$113.566 (L) HK$113.566
	03 December 2013	Bought (client hedging)	7,000 WHB ordinary shares	(H) HK$114.0 (L) HK$113.4
	04 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$116.962 (L) HK$116.962
	05 December 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$117.939 (L) HK$117.939
	06 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$118.16 (L) HK$118.16
	09 December 2013	Sold (client hedging)	7,000 WHB ordinary shares	(H) HK$116.163 (L) HK$115.551
	12 December 2013	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$109.3 (L) HK$109.2
	13 December 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$113.5 (L) HK$112.8
	13 December 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$113.5 (L) HK$113.5
	16 December 2013	Bought (principal trade)	1,500 WHB ordinary shares	(H) HK$112.9 (L) HK$111.8
	16 December 2013	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$111.9 (L) HK$111.9
	16 December 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$111.7 (L) HK$111.7
	17 December 2013	Bought (principal trade)	2,500 WHB ordinary shares	(H) HK$112.2 (L) HK$111.7
	17 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$111.9 (L) HK$111.9
	18 December 2013	Bought (client hedging)	4,000 WHB ordinary shares	(H) HK$111.9 (L) HK$111.9
	18 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$110.5 (L) HK$110.5
	19 December 2013	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$110.5 (L) HK$110.5
	19 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$110.5 (L) HK$110.5
	20 December 2013	Bought (client hedging)	500 WHB ordinary shares	(H) HK$110.4 (L) HK$110.4
	20 December 2013	Sold (client hedging)	500 WHB ordinary shares	(H) HK$110.3 (L) HK$110.3
	23 December 2013	Sold (client hedging)	1,500 WHB ordinary shares	(H) HK$111.6 (L) HK$111.4
	26 December 2013	Bought (principal trade)	1,000 WHB ordinary shares	(H) HK$116.5 (L) HK$113.5
	27 December 2013	Bought (principal trade)	3,000 WHB ordinary shares	(H) HK$116.5 (L) HK$113.5
	27 December 2013	Bought (client hedging)	10,000 WHB ordinary shares	(H) HK$116.5 (L) HK$113.3
	30 December 2013	Bought (principal trade)	500 WHB ordinary shares	(H) HK$116.3 (L) HK$116.3
	01 January 2014	Bought (principal trade)	3,000 WHB ordinary shares	(H) HK$117.2 (L) HK$116.7
	02 January 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$116.9 (L) HK$116.9
	02 January 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$116.9 (L) HK$116.9
	03 January 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$117.4 (L) HK$117.4
	03 January 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$116.6 (L) HK$116.6
	06 January 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$116.0 (L) HK$116.0
	08 January 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$117.3 (L) HK$117.3
	09 January 2014	Sold (client hedging)	9,500 WHB ordinary shares	(H) HK$117.5 (L) HK$117.4
	09 January 2014	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$117.6 (L) HK$117.5
	13 January 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$117.6 (L) HK$114.5
	14 January 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$115.7 (L) HK$115.7
	16 January 2014	Bought (principal trade)	4,000 WHB ordinary shares	(H) HK$115.6 (L) HK$115.0
	17 January 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$114.7 (L) HK$114.7
	17 January 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$115.0 (L) HK$115.0
	20 January 2014	Bought (client hedging)	7,000 WHB ordinary shares	(H) HK$114.0 (L) HK$111.0
	21 January 2014	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$108.1 (L) HK$107.6
	22 January 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$110.6 (L) HK$108.2
	22 January 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$109.0 (L) HK$108.9
	23 January 2014	Sold (client transaction)	2,500 WHB ordinary shares	(H) HK$109.9 (L) HK$107.7
	24 January 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$107.9 (L) HK$107.9
	24 January 2014	Bought (client transaction)	1,000 WHB ordinary shares	(H) HK$108.0 (L) HK$108.0
	29 January 2014	Bought (principal trade)	4,000 WHB ordinary shares	(H) HK$109.8 (L) HK$108.5
	05 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$108.7 (L) HK$108.7
	10 February 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$109.1 (L) HK$109.1
	11 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$107.8 (L) HK$107.8
	11 February 2014	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$108.0 (L) HK$107.8
	12 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$108.0 (L) HK$108.0
	13 February 2014	Bought (principal trade)	10,000 WHB ordinary shares	(H) HK$109.2 (L) HK$107.7
	13 February 2014	Sold (client hedging)	20,500 WHB ordinary shares	(H) HK$108.9 (L) HK$108.3
	14 February 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$108.3 (L) HK$108.3
	14 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$108.2 (L) HK$108.2
	17 February 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$107.9 (L) HK$107.9

Party	Trade date	Description of transaction	Number and description of relevant securities of WHB	Highest (H) and Lowest (L) prices paid or received
	18 February 2014	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$107.6 (L) HK$107.5
	19 February 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$107.7 (L) HK$107.7
	20 February 2014	Bought (principal trade)	4,000 WHB ordinary shares	(H) HK$107.9 (L) HK$106.2
	20 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$106.3 (L) HK$106.3
	20 February 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$106.2 (L) HK$106.2
	21 February 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$106.8 (L) HK$106.8
	24 February 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$107.8 (L) HK$106.4
	24 February 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$107.4 (L) HK$107.3
	24 February 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$107.5 (L) HK$107.5
	25 February 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$105.8 (L) HK$105.8
	26 February 2014	Bought (principal trade)	6,000 WHB ordinary shares	(H) HK$106.5 (L) HK$105.1
	26 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$105.1 (L) HK$105.1
	28 February 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$106.9 (L) HK$106.0
	28 February 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$106.0 (L) HK$106.0
	28 February 2014	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$106.0 (L) HK$106.0
	03 March 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$105.9 (L) HK$105.9
	03 March 2014	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$105.9 (L) HK$105.5
	04 March 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$107.6 (L) HK$107.6
	05 March 2014	Bought (principal trade)	7,000 WHB ordinary shares	(H) HK$107.8 (L) HK$107.3
	05 March 2014	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$107.5 (L) HK$107.5
	06 March 2014	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$108.7 (L) HK$108.3
	07 March 2014	Bought (client hedging)	5,500 WHB ordinary shares	(H) HK$114.7 (L) HK$114.1
	10 March 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$120.0 (L) HK$117.3
	12 March 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$118.4 (L) HK$118.4
	13 March 2014	Sold (principal trade)	2,000 WHB ordinary shares	(H) HK$116.6 (L) HK$114.4
	13 March 2014	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$117.3 (L) HK$117.3
	14 March 2014	Sold (principal trade)	3,000 WHB ordinary shares	(H) HK$114.6 (L) HK$113.5
	17 March 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$115.7 (L) HK$115.7
	18 March 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$116.5 (L) HK$116.5
	19 March 2014	Sold (client hedging)	9,500 WHB ordinary shares	(H) HK$117.0 (L) HK$116.8
	20 March 2014	Bought (principal trade)	732 WHB ordinary shares	(H) HK$116.7 (L) HK$116.4
	20 March 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$116.2 (L) HK$116.2
	21 March 2014	Bought (principal trade)	4,000 WHB ordinary shares	(H) HK$116.5 (L) HK$116.2
	24 March 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$115.0 (L) HK$115.0
	24 March 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$113.3 (L) HK$113.2
	25 March 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$114.1 (L) HK$114.1
	25 March 2014	Sold (client hedging)	2,000 WHB ordinary shares	(H) HK$112.525 (L) HK$112.525
	26 March 2014	Sold (client hedging)	2,000 WHB ordinary shares	(H) HK$116.2 (L) HK$114.0
	27 March 2014	Sold (client hedging)	5,500 WHB ordinary shares	(H) HK$114.8 (L) HK$113.9
	27 March 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$113.0 (L) HK$113.0
	28 March 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$123.5 (L) HK$123.5
	28 March 2014	Sold (client hedging)	4,000 WHB ordinary shares	(H) HK$116.0 (L) HK$114.7
	01 April 2014	Bought (client hedging)	3,000 WHB ordinary shares	(H) HK$122.9 (L) HK$122.9
	03 April 2014	Bought (client hedging)	17,500 WHB ordinary shares	(H) HK$123.9 (L) HK$123.9
	04 April 2014	Bought (client hedging)	1,000 WHB ordinary shares	(H) HK$124.2 (L) HK$124.2
	08 April 2014	Sold (client hedging)	15,000 WHB ordinary shares	(H) HK$124.2 (L) HK$124.2
	09 April 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$124.2 (L) HK$124.2
	10 April 2014	Bought (principal trade)	4,000 WHB ordinary shares	(H) HK$124.4 (L) HK$124.3
	10 April 2014	Bought (client hedging)	7,500 WHB ordinary shares	(H) HK$124.3 (L) HK$124.3
	10 April 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$124.3 (L) HK$124.3
	11 April 2014	Bought (client hedging)	4,500 WHB ordinary shares	(H) HK$124.3 (L) HK$124.2
	11 April 2014	Sold (client hedging)	5,000 WHB ordinary shares	(H) HK$124.2 (L) HK$124.2
	17 April 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$124.5 (L) HK$124.5
	23 April 2014	Bought (principal trade)	3,000 WHB ordinary shares	(H) HK$124.7 (L) HK$124.7
	24 April 2014	Bought (principal trade)	5,000 WHB ordinary shares	(H) HK$124.7 (L) HK$124.8
	02 May 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$124.9 (L) HK$124.9
	07 May 2014	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$123.3 (L) HK$123.3
	08 May 2014	Bought (principal trade)	1,000 WHB ordinary shares	(H) HK$123.4 (L) HK$123.3
	14 May 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$123.4 (L) HK$123.4
	19 May 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$123.7 (L) HK$123.7
	20 May 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$123.4 (L) HK$123.4
	22 May 2014	Bought (client hedging)	2,000 WHB ordinary shares	(H) HK$123.9 (L) HK$123.6
	23 May 2014	Bought (client hedging)	1,500 WHB ordinary shares	(H) HK$123.6 (L) HK$123.6

Party	Trade date	Description of transaction	Number and description of relevant securities of WHB	Highest (H) and Lowest (L) prices paid or received
	26 May 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$123.7 (L) HK$123.7
	28 May 2014	Bought (client hedging)	7,000 WHB ordinary shares	(H) HK$123.8 (L) HK$123.7
	04 June 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$124.0 (L) HK$123.9
	05 June 2014	Sold (client hedging)	500 WHB ordinary shares	(H) HK$123.9 (L) HK$123.9
	06 June 2014	Sold (client hedging)	1,500 WHB ordinary shares	(H) HK$124.1 (L) HK$124.1
	11 June 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$124.9 (L) HK$124.9
	19 June 2014	Sold (client hedging)	1,000 WHB ordinary shares	(H) HK$124.5 (L) HK$124.5
	20 June 2014	Bought (client hedging)	500 WHB ordinary shares	(H) HK$124.5 (L) HK$124.5
	23 June 2014	Sold (client hedging)	1,500 WHB ordinary shares	(H) HK$124.4 (L) HK$124.4
	24 June 2014	Sold (client hedging)	2,500 WHB ordinary shares	(H) HK$124.4 (L) HK$124.4
	25 June 2014	Sold (client hedging)	4,000 WHB ordinary shares	(H) HK$124.4 (L) HK$124.4

Note 1: Nomura International Plc is a class (2) associate and an exempt principal trader connected with WHB. Nomura Securities International Inc. is a class (2) associate connected with WHB. Both Nomura International Plc and Nomura Securities International Inc. are ultimately owned by Nomura Holdings Inc.

(ii) Except for the Irrevocable Undertakings and Additional Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with WHB or with any person who was an associate of WHB by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Code.

(iii) No fund manager (other than exempt fund managers) connected with WHB who manage shareholdings in WHB on a discretionary basis had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of WHB.

ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

(a) there was no arrangement whereby any WHB Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;

(b) except for the Irrevocable Undertakings and Additional Irrevocable Undertakings, no agreement or arrangement existed between the Offeror and any person which relate to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to its offer and the consequences of its doing so; and

(c) except for the Irrevocable Undertakings and Additional Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Concert Party or any other person on the one hand, and any WHB Director, recent WHB Director, WHB Shareholder or recent WHB Shareholder on the other hand, having any connection with or conditional on or dependent upon the Offers.

WHB DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the WHB Directors had entered into any service contracts with WHB or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

MARKET PRICES

The table below shows the closing price per WHB Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Date (being the last trading date immediately preceding the date of the Announcement); (c) 16 September 2013, being the last business day immediately preceding the date of the Initial Announcement; and (d) the last trading date at or before the end of each of the calendar months during the Relevant Period.

Date	Closing price per WHB Share
	HK$
28 March 2013	82.50
30 April 2013	81.55
31 May 2013	74.55
28 June 2013	69.65
31 July 2013	71.90
30 August 2013	74.90
16 September 2013	83.80
30 September 2013	117.60
31 October 2013	110.30
29 November 2013	114.80
31 December 2013	117.00
30 January 2014	110.60
28 February 2014	106.00
Last Trading Date/28 March 2014	123.00
30 April 2014	124.80
30 May 2014	123.80
Latest Practicable Date	124.40

HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of WHB Shares as quoted on the Stock Exchange was HK$125.00 per WHB Share on 2 May 2014, and the lowest closing price of WHB Shares as quoted on the Stock Exchange was HK$68.30 per WHB Share on 25 June 2013 and 8 July 2013.

LITIGATION

As at the Latest Practicable Date, none of the members of the WHB Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the WHB Directors to be pending or threatened by or against any member of the WHB Group.

MATERIAL CONTRACTS

No contract (being contract not entered into in the ordinary course of business carried on or intended to be carried on by the WHB Group) has been entered into by the WHB Group within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, which is or may be material.

No material contract has been entered into by the Offeror in which a WHB Director has a material personal interest.

EXPERTS AND CONSENTS

Name	Qualification
BofAML	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.
Goldman Sachs	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO.
J.P. Morgan	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO.
KPMG Corporate Finance	A corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO.
Nomura	A corporation licensed to carry out Type 1 (dealing in securities),Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO.
Somerley	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.
UBS	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO.

Each of BofAML, Goldman Sachs, J.P. Morgan, KPMG Corporate Finance, Nomura, Somerley and UBS has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion or letter (as the case may be, where applicable) and/or references to its name in the form and context in which it is included.

MISCELLANEOUS

The registered office of OCBC is at 65 Chulia Street, #06-00 OCBC Centre, Singapore, 049513.

The registered office of the Offeror is at 65 Chulia Street, #28-01 OCBC Centre, Singapore, 049513.

The registered office of WHB is at 161 Queen's Road Central, Hong Kong.

The Offeror is a wholly owned subsidiary of OCBC.

BofAML and J.P. Morgan are making the Offers for and on behalf of the Offeror. The address of BofAML is at 55th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. The address of J.P. Morgan is at 28 Floor, Chater House, 8 Connaught Road Central, Central, Hong Kong.

The Independent Financial Adviser is Somerley Capital Limited whose address is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.

The share registrar and transfer office of WHB is Computershare whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

As at the Latest Practicable Date, the Offeror had no agreement or understanding to transfer, charge or pledge any of the WHB Shares acquired pursuant to the Offers to any other persons.

OCBC and the Offeror confirm that they do not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the WHB Group.

In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (except public holidays) at the office of WHB at 8/F., 161 Queen's Road Central, Hong Kong; (ii) on the website of WHB at www.whbhk.com; and (iii) on the website of the SFC at www.sfc.hk, from the date of this Composite Document until the end of the Offer Period:

(1) the memorandum and articles of association of OCBC;

(2) the memorandum and articles of association of the Offeror;

(3) the memorandum and articles of association of WHB;

(4) the annual reports of WHB for the two financial years ended 31 December 2012 and 2013;

(5) the annual reports of OCBC for the two financial years ended 31 December 2012 and 2013;

(6) the letter from BofAML and J.P. Morgan, the text of which is set out on pages 12 to 22 of this Composite Document;

(7) the letter from the WHB Board, the text of which is set out on pages 23 to 28 of this Composite Document;

(8) the letter from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this Composite Document;

(9) the letter from Somerley, the text of which is set out on pages 31 to 53 of this Composite Document;

(10) the written consents as referred to in the section headed "Experts and Consents" in this Appendix;

(11) the Irrevocable Undertakings; and

(12) the Additional Irrevocable Undertakings.