

Financial Information Disclosure Statement
As at 31 December 2016
(Unaudited)

Section A - Branch Information (Hong Kong Offices only)

I. Profit and loss information	31 Dec 2016 (12 months) HKD'000	31 Dec 2015 (12 months) HKD'000	Variance %
Interest income	10,519,499	15,706,711	-33.03
Interest expense	<u>(6,066,395)</u>	<u>(9,474,611)</u>	-35.97
Net interest income	4,453,104	6,232,100	-28.55
Commission and fees income	1,550,961	1,586,581	-2.25
Commission and fees expenses	<u>(83,118)</u>	<u>(93,449)</u>	-11.06
Net commission and fees income	1,467,843	1,493,132	-1.69
- Gains less losses arising from trading in foreign currencies	1,087,298	3,520	+30789.15
- Gains less losses on securities held for trading purposes	70,755	(76,004)	-193.09
- Gains less losses from other trading activities	190,753	(49,057)	-488.84
- Others	<u>423,009</u>	<u>(62,730)</u>	-774.33
Other operating gains less losses	<u>1,771,815</u>	<u>(184,271)</u>	-1061.53
	7,692,762	7,540,961	+2.01
Operating expenses			
Staff and rental expenses	(1,629,040)	(1,489,788)	+9.35
Other operating expenses	(516,934)	(981,422)	-47.33
Charge of impairment losses and allowances for impaired loans and receivables	(315,954)	(215,313)	+46.74
Write back of impairment allowances for available-for-sale investment securities	198,319	-	-
Gains less losses from revaluation of investment properties	<u>34,772</u>	<u>25,283</u>	+37.53
Profit before taxation	5,463,925	4,879,721	+11.97
Tax expense	<u>(680,030)</u>	<u>(1,247,185)</u>	-45.47
Profit after taxation	<u>4,783,895</u>	<u>3,632,536</u>	+31.70
II. Balance sheet information	31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
Assets			
Cash and balances with banks	21,021,049	39,276,454	-46.48
Amount due from Exchange Fund repayable or callable within one month	2,605,948	4,127,805	-36.87
Placements with banks with residual maturity between one and twelve months	32,339,202	32,168,389	+0.53
Amount due from overseas offices	42,914,859	30,868,199	+39.03
Trade bills	60,288,920	55,098,038	+9.42
Certificates of deposit held	47,368,906	45,158,178	+4.90
Securities held for trading purposes	9,922,627	15,452,115	-35.78
Loans and receivables	187,914,388	189,250,050	-0.71
Investment securities	102,271,770	98,336,587	+4.00
Other investments	235,931	236,068	-0.06
Property, plant and equipment and investment properties	716,057	682,238	+4.96
Total assets	<u>507,599,657</u>	<u>510,654,121</u>	-0.60
Liabilities			
Deposits and balances from banks	49,836,200	70,183,380	-28.99
Deposits from customers - Demand deposits and current accounts	13,201,683	13,304,087	-0.77
- Saving deposits	70,332,190	75,601,724	-6.97
- Time, call and notice deposits	268,036,261	250,622,586	+6.95
Amount due to overseas offices	26,319,246	20,179,682	+30.42
Certificates of deposit issued	18,252,792	17,235,267	+5.90
Debt securities issued	25,751,683	22,860,492	+12.65
Other liabilities	35,783,822	40,582,811	-11.83
Provisions	85,780	84,092	+2.01
Total liabilities	<u>507,599,657</u>	<u>510,654,121</u>	-0.60

III. Additional balance sheet information	31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
(i) Loans and receivables			
- Loans and advances to customers	170,794,386	170,938,228	-0.08
- Accrued interest and other accounts	<u>18,275,538</u>	<u>19,357,298</u>	-5.59
	189,069,924	190,295,526	-0.64
Less: Impairment allowances for impaired loans and receivables			
- Collective impairment allowances (for loans and advances to customers)	(767,280)	(895,413)	-14.31
- Individual impairment allowances (for loans and advances to customers)	(340,203)	(101,621)	+234.78
- Individual impairment allowances (for accrued interest)	(43,006)	(39,576)	+8.67
- Individual impairment allowances (for other accounts)	<u>(5,047)</u>	<u>(8,866)</u>	-43.07
	<u>(1,155,536)</u>	<u>(1,045,476)</u>	+10.53
	<u>187,914,388</u>	<u>189,250,050</u>	-0.71

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2016 and 30 Jun 2016.

(ii) (a) Impaired loans and advances			
Gross impaired loans and advances to customers	639,037	308,039	+107.45
As percentage of total loans and advances to customers	0.37	0.18	+0.19
Individual impairment allowances	340,203	101,621	+234.78

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis.

(ii) (b) Impaired loans and advances by geographical area			
Hong Kong	71,654	62,815	+14.07
People's Republic of China	<u>567,383</u>	<u>245,224</u>	+131.37
	<u>639,037</u>	<u>308,039</u>	+107.45

Impaired loans and advances to customers by geographical area are classified according to the location of counterparties after taking into account the transfer of risk. In general, risk transfer applies when the loans and advances are guaranteed by a party located in an area that is different from that of the counterparty.

(ii) (c) Market value of collateral related to impaired loans and advances to customers	531,529	226,688	+134.48
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(iii) Trade bills			
Gross trade bills	60,527,152	55,372,363	+9.31
Less: Impairment allowances			
- Collective impairment allowances	(222,569)	(269,435)	-17.39
- Individual impairment allowances	<u>(15,663)</u>	<u>(4,890)</u>	+220.31
	<u>(238,232)</u>	<u>(274,325)</u>	-13.16
	<u>60,288,920</u>	<u>55,098,038</u>	+9.42

(iv) Investment securities			
Gross investment securities	102,271,770	99,033,733	+3.27
Less: Individual impairment allowances	<u>-</u>	<u>(697,146)</u>	-100.00
	<u>102,271,770</u>	<u>98,336,587</u>	+4.00

No impairment allowances for investment securities maintained at our head office as at 31 Dec 2016. (30 Jun 2016: CNY 53 million)

(v)(a) Analysis of gross amount of loans and advances to customers classified into the following industry categories

	31 Dec 2016 HKD'000	% of secured loans and advances	30 Jun 2016 HKD'000	% of secured loans and advances	Variance %
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
- Property development	8,011,045	18.13	7,870,173	13.35	+1.79
- Property investment	10,437,482	97.99	12,013,800	89.83	-13.12
- Financial concerns	30,274,670	17.46	33,033,528	12.85	-8.35
- Stockbrokers	3,630,622	23.94	4,845,342	21.88	-25.07
- Wholesale and retail trade	6,027,625	26.80	5,654,464	38.28	+6.60
- Manufacturing	4,679,538	5.92	4,461,772	19.43	+4.88
- Transport and transport equipment	4,276,757	64.85	4,241,250	72.46	+0.84
- Recreational activities	993,529	100.00	27,794	100.00	+3474.62
- Information technology	602,541	-	505,183	-	+19.27
- Others	23,640,842	35.01	17,011,654	16.65	+38.97
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	279,965	99.91	320,522	99.85	-12.65
- Loans for the purchase of other residential properties	16,357,729	100.00	16,106,744	100.00	+1.56
- Credit card advances	187,084	-	154,692	-	+20.94
- Others	8,796,729	73.86	8,269,835	74.54	+6.37
Sub-total	118,196,158		114,516,753		+3.21
Trade finance	1,667,556	13.87	2,209,786	9.81	-24.54
Loans and advances for use outside Hong Kong					
Total	170,794,386	37.50	170,938,228	33.72	-0.08

(v)(b) Gross loans and advances to customers by geographical area

	31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
Hong Kong	75,754,351	78,079,549	-2.98
People's Republic of China	86,235,304	83,919,819	+2.76
Other countries	8,804,731	8,938,860	-1.50
	170,794,386	170,938,228	-0.08

The gross amount of loans and advances to customers by countries or geographical segment is in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises if the loans or advances of a customer are guaranteed by a party in a country which is different from that of the customer. Countries or geographical segment, constituting 10% or more of the Branch's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

(vi) International claims

The information on international claims are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. Countries or geographical segments, constituting 10% or more of the Branch's total international claims after taking into account any recognized risk transfer, are disclosed below.

Equivalent in millions of HK\$	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
<u>As at 31 Dec 2016</u>					
Developing Asia-Pacific	101,099	10,287	22,970	59,202	193,558
of which China	99,451	9,797	22,970	58,449	190,667
Developed countries	40,759	368	5,022	245	46,394
<u>As at 30 Jun 2016</u>					
Developing Asia-Pacific	105,647	10,636	20,605	66,730	203,618
of which China	104,600	9,911	20,605	66,149	201,265
Developed countries	38,045	353	4,056	258	42,712

(vii)(a) Overdue loans and advances to customers	31 Dec 2016 HKD'000	% of total loans and advances to customers	30 Jun 2016 HKD'000	% of total loans and advances to customers
Gross loans and advances to customers that have been overdue for periods of:-				
More than 3 months but not more than 6 months	326,394	0.19	2,824	-
More than 6 months but not more than one year	1,196	-	122,843	0.07
More than one year	147,952	0.09	41,406	0.02
	<u>475,542</u>	0.28	<u>167,073</u>	0.09
		31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
Market value of collateral held against the secured overdue loans and advances		411,710	116,571	+253.18
Secured overdue loans and advances		372,311	86,626	+329.79
Unsecured overdue loans and advances		103,231	80,447	+28.32
Individual impairment allowances		274,081	88,829	+208.55
Overdue loans and advances to customers by geographical area				
Hong Kong		62,179	56,503	+10.05
People's Republic of China		413,363	110,570	+273.85
		<u>475,542</u>	<u>167,073</u>	+184.63

Overdue loans and advances to customers by geographical area are classified according to the location of counterparties after taking into account the transfer of risk. In general, risk transfer applies when the loans and advances are guaranteed by a party located in an area that is different from that of the counterparty.

There are no loans and advances to banks which are overdue for more than 3 months, nor are there any rescheduled loans and advances to banks.

(vii)(b) Overdue assets	31 Dec 2016 HKD'000	% of trade bills	30 Jun 2016 HKD'000	% of trade bills
Gross trade bills that have been overdue for periods of :-				
More than 3 months but not more than 6 months	8,837	0.01	-	-
More than 6 months but not more than one year	-	-	-	-
More than one year	4,455	0.01	4,890	0.01
	<u>13,292</u>	0.02	<u>4,890</u>	0.01
Gross debt securities that have been overdue for periods of :-				
More than 3 months but not more than 6 months	-	-	-	-
More than 6 months but not more than one year	-	-	-	-
More than one year	-	-	598,346	0.37
	<u>-</u>	-	<u>598,346</u>	0.37
		31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
Secured overdue assets		-	-	-
Unsecured overdue assets		13,292	603,236	-97.80
Individual impairment allowances		13,292	702,036	-98.11
Overdue assets by geographical area				
Iceland		-	386,558	-100.00
United States		-	211,788	-100.00
Hong Kong		13,292	4,890	+171.82
		<u>13,292</u>	<u>603,236</u>	-97.80

(vii)(c) Rescheduled loans	31 Dec 2016 HKD'000	30 Jun 2016 HKD'000	Variance %
Rescheduled loans to customers net of overdue more than three months	2,155	513	+320.08
As percentage of total loans and advances to customers	0.01	0.01	-

(vii)(d) Repossessed assets

Repossessed assets are accounted as "Assets held for sale" and reported in "Other assets" and the relevant loans and advances are derecognized. The repossessed assets are measured at lower of carrying amount and net realizable value.

There were no repossessed assets held as at 31 Dec 2016 and 30 Jun 2016.

(viii) Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Mainland Activities.

	On-balance sheet exposure HKD'000	Off-balance sheet exposure HKD'000	Total exposures HKD'000
<u>As at 31 Dec 2016</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	68,739,767	8,296,982	77,036,749
2. Local governments, local government-owned entities and their subsidiaries and JVs	10,182,708	77,478	10,260,186
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	17,996,671	4,587,036	22,583,707
4. Other entities of central government not reported in item 1 above	-	77,553	77,553
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,886,061	822,913	2,708,974
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>98,805,207</u>	<u>13,861,962</u>	<u>112,667,169</u>
Total assets after provisions	507,513,877		
On-balance sheet exposures as percentage of total assets	19.47%		
	On-balance sheet exposure HKD'000	Off-balance sheet exposure HKD'000	Total exposures HKD'000
<u>As at 30 Jun 2016</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	58,215,128	2,740,462	60,955,590
2. Local governments, local government-owned entities and their subsidiaries and JVs	10,224,029	91,014	10,315,043
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	18,478,265	3,211,338	21,689,603
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	216,869	-	216,869
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,136,393	1,411,873	4,548,266
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>90,270,684</u>	<u>7,454,687</u>	<u>97,725,371</u>
Total assets after provisions	510,570,029		
On-balance sheet exposures as percentage of total assets	17.68%		

(ix) Foreign currency exposures

The information concerning the foreign currency exposures of the Branch arising from trading and non-trading positions are disclosed below:

Equivalent in millions of HK\$	Chinese Yuan	US Dollars	Total
<u>As at 31 Dec 2016</u>			
Spot assets	72,667	219,233	291,900
Spot liabilities	(61,627)	(197,042)	(258,669)
Forward purchases	196,196	279,913	476,109
Forward sales	(192,266)	(300,429)	(492,695)
Net options position*	(1,504)	1,642	138
Net long (short) position	<u>13,466</u>	<u>3,317</u>	<u>16,783</u>
<u>As at 30 Jun 2016</u>			
Spot assets	102,140	204,776	306,916
Spot liabilities	(85,681)	(185,913)	(271,594)
Forward purchases	230,505	293,069	523,574
Forward sales	(236,494)	(313,759)	(550,253)
Net options position*	175	(437)	(262)
Net long (short) position	<u>10,645</u>	<u>(2,264)</u>	<u>8,381</u>

* Delta equivalent approach is adopted.

Except for the above foreign currencies, we do not disclose other foreign currency exposures arising from trading and non-trading positions, which constitutes less than 10% of the total net position in all foreign currencies as above. There is no net structural position in any foreign currencies.

IV. Off-balance sheet exposures

(i)	Contingent liabilities and commitments	31 Dec 2016 HKD'000 Contract amount	30 Jun 2016 HKD'000 Contract amount	Variance %
	- Direct credit substitutes	6,093,146	5,845,460	+4.24
	- Trade related contingencies	5,948,667	4,570,257	+30.16
	- Others commitments	34,890,850	29,160,753	+19.65
	- Others	23,737,421	11,914,952	+99.22
		<u>70,670,084</u>	<u>51,491,422</u>	+37.25
(ii)	Derivatives	Contract amount HKD'000	Fair value assets HKD'000	Fair value liabilities HKD'000
	<u>As at 31 Dec 2016</u>			
	Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	605,441,092	11,114,040	11,591,806
	Interest rate contracts	343,539,793	2,729,837	2,599,004
	Others	11,273	262	315
		<u>948,992,158</u>	<u>13,844,139</u>	<u>14,191,125</u>
	<u>As at 30 Jun 2016</u>			
	Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	613,346,628	6,373,368	6,852,301
	Interest rate contracts	394,011,947	2,185,561	3,673,419
	Others	12,157	365	478
		<u>1,007,370,732</u>	<u>8,559,294</u>	<u>10,526,198</u>

None of the above derivatives contracts are subject to the bilateral netting arrangements.

V. Liquidity information

		31 Dec 2016 (12 months)	31 Dec 2015 (12 months)
Average liquidity coverage ratio	- First quarter	145.79%	115.13%
	- Second quarter	132.54%	154.01%
	- Third quarter	120.76%	103.23%
	- Fourth quarter	131.50%	141.24%
Average liquidity coverage ratio for the period		132.43%	128.06%

In the first quarter of 2016, the Branch's LCR maintained at relatively high level as the long-term core asset decreased. The Branch started to optimize its balance sheet structure by reducing idle fund which lowered average LCR in the second and third quarter of 2016.

In the fourth quarter of 2016, average LCR risen as the cash inflow from asset increased. In addition, the Branch strengthened its customer deposit base to prepare for the funding usage in the first quarter of 2017.

The Branch's average LCR for the year 2016 is 132.43%, above the regulatory requirement of 70%

Level 1 HQLA is the major component of the Branch's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills/Notes and unencumbered sovereign bonds. The branch also holds a portion of Level 2A and Level 2B HQLA, which include corporate bonds with high credit rating.

LCR net cash outflow arising from off-balance-sheet derivatives and additional collateral provision is not material.

The Branch holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Branch has established internal monitoring limit on Level 1 HQLA LCR for foreign major currencies according to the amendment of regulatory framework for supervision of major currency's liquidity risk under LM-1 by HKMA.

The Branch has established internal limit and management action trigger level on LCR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite.

Liquidity risk management

Funding liquidity risk relates to the Branch's ability to fulfill its obligations arising from financial liabilities as they fall due, or its ability to fulfill maturing funding needs, which subsequently affects the Branch's capacity to support deposit withdrawal or drawdown on loan commitments. Effective liquidity risk management helps to sustain the expansion of the Branch's business with liquidity cost and risk under control. The Branch has established and implemented its own liquidity risk management policy per the Head Office's related policy and local regulatory requirements in order to fulfill its own duties in groupwide liquidity risk management. The Asset and Liability Management Committee (ALCO) of the Branch is the decision-making body in balance sheet management and is responsible for coordinating and overseeing all related strategies, including risk management framework and risk appetite. Asset and Liability Management Department is responsible for analyzing and monitoring activities related to liquidity risk. Global Markets Department is responsible for managing daily liquidity position and related executions. Internal Audit Department is responsible for conducting periodic review to ensure liquidity risk management framework is effectively implemented.

The cornerstone of the Branch's funding sources is customer deposit. The Branch strives to build up core deposits while diversifying funding sources via various funding channels to enhance financing capacity. The Branch actively participates in the money market, issues certificates of deposit and medium term notes to sustain longer-term funding. Regarding liquidity arrangement with Head Office, the Branch performs regular funding transfer with Head Office to preserve prompt intragroup backup funding supply if necessary. Monitoring and control on intragroup funding transactions are in line with those of third parties. Moreover, Head Office has set up groupwide internal limits to control the Branch's reliance on Head Office's funding.

The majority of the liquidity risk of the Branch arises from maturity mismatch of assets and liabilities. Therefore, regular cash flow analysis and projections on both on- and off-balance sheet items falling within different maturity buckets is performed to ensure funding need. Moreover, the Branch closely monitors off-balance sheet funding obligations (such as commitments or letters of guarantee) and assesses their impact to our liquidity capacity. Furthermore, the Branch strives to maintain high marketability of the asset portfolio to allow prompt monetization in case of unforeseeable liquidity crunch in the market.

The Branch has in place various limits and indicators for liquidity risk, including liquidity coverage ratio, loan-to-deposit ratio, interbank borrowing utilization ratio, etc. for effective identification and control of liquidity risk. The Branch utilizes relevant management information systems to perform daily liquidity risk management functions. Moreover, the Branch performs daily cash flow analysis to assess liquidity in normal circumstances, and performs regular stress test (at least monthly) to evaluate the Branch's resilience under significant stress conditions. The stress test scenarios are designed with reference to the HKMA's Supervisory Policy Manuals, and also historical liquidity stress scenarios. The Branch's stress test takes into account the impact of all assets, liabilities and off-balance sheet positions and estimates possible funding short-fall with historical data and plausible stress conditions. The results will be scrutinized and appropriate measures will be taken if

The Branch has set up early warning indicator system, and movement of relevant indicators are closely monitored on a regular basis. In case of liquidity crisis emerges, the Branch's Crisis Management Committee will be formed to formulate appropriate contingency funding plan to resolve the crisis. The Branch also performs regular drill in order to ensure prompt actions and feasibility of contingency funding plan under crisis.

To cope with unpredictable liquidity needs, the Branch has set up liquidity buffer to maintain sufficient highly liquid assets. The buffer portfolio contains cash, Exchange Fund Bills/Notes, unencumbered sovereign bonds and other high quality bonds, which is managed by Asset and Liability Management Department and operated by Global Markets Department on a daily basis.

Liquidity Coverage Ratio Standard Disclosure Template

2016 fourth quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Dec 2016 : (74)	Currency: (HKD '000)	
Basis of disclosure: Hong Kong office	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS		
1. Total high quality liquid assets (HQLA)		78,448,267
B. CASH OUTFLOWS		
2. Retail deposits and small business funding, of which:	154,729,913	11,256,214
3. <i>Stable retail deposits and stable small business funding</i>	4,781,196	239,060
4. <i>Less stable retail deposits and less stable small business funding</i>	70,394,356	7,039,436
5. <i>Retail term deposits and small business term funding</i>	79,554,361	3,977,718
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	145,570,941	86,020,446
7. <i>Operational deposits</i>	-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	144,062,084	84,511,589
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	1,508,857	1,508,857
10. Secured funding transactions (including securities swap transactions)		11,043,372
11. Additional requirements, of which:	76,374,090	14,185,343
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	40,271,012	9,341,255
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	36,103,078	4,844,088
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,496,257	5,496,257
16. Other contingent funding obligations (whether contractual or non-contractual)	34,300,747	667,325
17. TOTAL CASH OUTFLOWS		128,668,957
C. CASH INFLOWS		
18. Secured lending transactions (including securities swap transactions)	-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	109,837,900	61,513,501
20. Other cash inflows	6,023,378	6,019,281
21. TOTAL CASH INFLOWS	115,861,278	67,532,782
D. LIQUIDITY COVERAGE RATIO		
		ADJUSTED VALUE
22. TOTAL HQLA		78,448,267
23. TOTAL NET CASH OUTFLOWS		61,136,175
24. LCR (%)		131.50%

2016 third quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 Sep 2016 : (76)	Currency: (HKD '000)	
Basis of disclosure: Hong Kong office	UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS		
1. Total high quality liquid assets (HQLA)		86,040,932
B. CASH OUTFLOWS		
2. Retail deposits and small business funding, of which:	148,471,985	10,792,947
3. <i>Stable retail deposits and stable small business funding</i>	4,702,342	235,117
4. <i>Less stable retail deposits and less stable small business funding</i>	67,386,956	6,738,696
5. <i>Retail term deposits and small business term funding</i>	76,382,687	3,819,134
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	138,557,767	82,889,064
7. <i>Operational deposits</i>	-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	137,932,777	82,264,074
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	624,990	624,990
10. Secured funding transactions (including securities swap transactions)		9,754,397
11. Additional requirements, of which:	78,854,770	15,139,109
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	48,378,264	10,891,097
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	30,476,506	4,248,012
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,633,594	4,633,594
16. Other contingent funding obligations (whether contractual or non-contractual)	33,141,022	666,674
17. TOTAL CASH OUTFLOWS		123,875,785
C. CASH INFLOWS		
18. Secured lending transactions (including securities swap transactions)	-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions	96,367,280	45,616,011
20. Other cash inflows	6,582,132	6,576,728
21. TOTAL CASH INFLOWS	102,949,412	52,192,739
D. LIQUIDITY COVERAGE RATIO		
		ADJUSTED VALUE
22. TOTAL HQLA		86,040,932
23. TOTAL NET CASH OUTFLOWS		71,683,046
24. LCR (%)		120.76%

2016 second quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 June 2016 : (74)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			85,623,217
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		146,777,928	10,779,298
3. <i>Stable retail deposits and stable small business funding</i>		4,728,088	236,404
4. <i>Less stable retail deposits and less stable small business funding</i>		68,808,037	6,880,804
5. <i>Retail term deposits and small business term funding</i>		73,241,803	3,662,090
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		150,989,077	89,941,963
7. <i>Operational deposits</i>		-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		148,832,718	87,785,604
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		2,156,359	2,156,359
10. Secured funding transactions (including securities swap transactions)			7,669,861
11. Additional requirements, of which:		64,913,353	12,376,392
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		35,564,376	8,426,406
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		29,348,977	3,949,986
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		4,058,883	4,058,883
16. Other contingent funding obligations (whether contractual or non-contractual)		29,452,093	682,707
17. TOTAL CASH OUTFLOWS			125,509,104
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		106,513,438	53,177,653
20. Other cash inflows		7,097,173	7,089,431
21. TOTAL CASH INFLOWS		113,610,611	60,267,084
D. LIQUIDITY COVERAGE RATIO			
			ADJUSTED VALUE
22. TOTAL HQLA			85,623,217
23. TOTAL NET CASH OUTFLOWS			65,242,020
24. LCR (%)			132.54%

2016 first quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 March 2016 : (71)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			92,029,144
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		152,862,117	11,173,565
3. <i>Stable retail deposits and stable small business funding</i>		4,773,732	238,687
4. <i>Less stable retail deposits and less stable small business funding</i>		70,609,175	7,060,917
5. <i>Retail term deposits and small business term funding</i>		77,479,210	3,873,961
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		163,352,404	97,594,561
7. <i>Operational deposits</i>		-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		159,174,596	93,416,753
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		4,177,808	4,177,808
10. Secured funding transactions (including securities swap transactions)			7,651,397
11. Additional requirements, of which:		54,682,862	11,886,856
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		26,774,836	6,652,618
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		27,908,026	5,234,238
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		7,936,082	7,936,082
16. Other contingent funding obligations (whether contractual or non-contractual)		25,305,159	661,015
17. TOTAL CASH OUTFLOWS			136,903,476
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		124,654,003	61,465,232
20. Other cash inflows		7,811,143	7,803,864
21. TOTAL CASH INFLOWS		132,465,146	69,269,096
D. LIQUIDITY COVERAGE RATIO			
			ADJUSTED VALUE
22. TOTAL HQLA			92,029,144
23. TOTAL NET CASH OUTFLOWS			67,680,387
24. LCR (%)			145.79%

VI. Disclosure of remuneration policy

In accordance with the disclosure requirement of the Supervisory Policy Manual “CG-5 Guideline on a Sound Remuneration System” issued by the Hong Kong Monetary Authority, the following disclosures are made:

(i) Governance structure of the remuneration system

Established under the Board of Directors of the Head Office, the Personnel and Remuneration Committee is primarily responsible for formulating the remuneration and incentive plans for Directors and Senior Management according to the strategic plan and operational targets approved by the Board of Directors, presenting its proposals on remuneration plans to the Board of Directors and monitoring the implementation of such plans. Relevant policies are applicable to the staff of its overseas institutions including the Hong Kong Branch (“the Branch”) (please refer to the Annual Report (H Share) of Bank of Communications Co., Ltd. for the details and meetings held of the Personnel and Remuneration Committee).

To ensure the suitability of the remuneration system, the Branch will seek advice from external consultants if necessary.

“Senior Management” refers to the executives, including but not limited to the Branch’s Chief Executive, Deputy Chief Executive and other senior executives, who are responsible for oversight of the Branch’s firm-wide strategy or activities or those of the Branch’s material business lines. “Key Personnel” refers to the individual staff whose duties or activities in the course of their employment involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence to the profit, such as management staff of global markets.

(ii) Remuneration policy

The remuneration policy supports the Branch’s overall approach to risk management so as to ensure it is not undermined and to encourage staff to support the Branch’s overall risk management, including but not limited to credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal risk and strategic risk.

Staff remuneration is composed of “fixed remuneration” and “variable remuneration”. Both are paid by cash. The proportion of fixed and variable remuneration is determined by the factors such as staff seniority, job responsibilities and the need to encourage staff to support the Branch’s overall risk management and long-term financial soundness. For risk control personnel, their remuneration is determined independent of the performance of the business units they oversee.

The award of variable remuneration to the staff is determined by individual fulfilment of both financial and non-financial factors (including but not limited to the adherence to the risk management policies, compliance with legal, regulatory and ethical standards, etc.). Under such arrangement, staff performance shall be assessed comprehensively and appropriately reflected in their variable remuneration after taken into account of other factors such as the Branch’s financial performance and future development. To improve and enhance the remuneration system and to strive a balance between staff current earnings and the delayed risk that might bring to the Branch as well as to support the Branch’s stability and sustainable development, the Branch has implemented a deferral mechanism on performance bonus with a vesting period of three years.

The Branch conducts regular internal monitoring to ensure the implementation of its remuneration policy is consistently in compliance. Such monitoring is conducted by relevant independent departments responsible for compliance monitoring in accordance with the Branch’s organization structure. The remuneration policy is subject to review periodically and when necessary.

(iii) Aggregate amount of remuneration for senior management and key personnel ^{Note 1}

HKD’000	2016 (No. of Senior Management : 9 No. of Key Personnel : 9) ^{Note 2}		2015 (No. of Senior Management : 11 No. of Key Personnel : 9) ^{Note 2}	
	Non-deferred	Deferred	Non-deferred	Deferred
Fixed Remuneration				
– Cash	27,205	-	26,620	-
– Shares and share-linked instruments	-	-	-	-
Variable Remuneration				
– Cash	27,384	4,307	33,920	3,326
– Shares and share-linked instruments	-	-	-	-

HKD’000	2016		2015	
	2016	2015	2016	2015
Deferred Remuneration				
Vested				
– Cash	3,012	1,873		
– Shares and share-linked instruments	-	-		
Unvested (As at 31 Dec)				
– Cash	3,945	2,650		
– Shares and share-linked instruments	-	-		
Total	6,957	4,523		
Awarded	4,307	3,326		
Paid out	3,012	1,873		
Reduced through performance adjustments	-	-		
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit/ implicit adjustments	3,945	2,650		
Total amount of reductions during the financial year due to:				
– Ex post explicit adjustment	-	-		
– Ex post implicit adjustment	-	-		

Note:

1. Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part; and no guaranteed minimum bonuses without regard to an employee’s performance, sign-on or severance payments were awarded and made to senior management and key personnel during the financial year 2015 and 2016.

2. Number of beneficiaries included staff newly joined or left the Branch during the financial year.

Section B - Bank Information (Consolidated basis)

I Consolidated balance sheet items and financial ratios

	31 Dec 2016 CNY million	30 Jun 2016 CNY million (Unaudited)	Variance %
Total loans and advances	4,009,046	3,891,431	+3.02
Total customer deposits	4,728,589	4,734,627	-0.13
Total assets	8,403,166	7,956,322	+5.62
Total liabilities	7,770,759	7,400,828	+5.00
Shareholders' equity	629,142	552,515	+13.87
Capital adequacy ratio	14.02%	13.18%	+0.84

The capital adequacy ratio above is calculated pursuant to the Measures for the Capital Management of Commercial Banks (Trial Implementation) issued by the China Banking Regulatory Commission.

	31 Dec 2016 (12 months) CNY million	31 Dec 2015 (12 months) CNY million	Variance %
Pre-tax profit	86,110	86,012	+0.11

Shou Fu Gang
Bank of Communications Co., Ltd. Hong Kong Branch
Chief Executive
31 March 2017