

Financial Information Disclosure Statement
As at 31 December 2015
(Unaudited)

Section A - Branch Information (Hong Kong Offices only)

I. Profit and loss information	31 Dec 2015 (12 months) HKD'000	31 Dec 2014 (12 months) HKD'000	Variance %
Interest income	15,706,711	12,303,492	+27.66
Interest expense	<u>(9,474,611)</u>	<u>(7,828,413)</u>	-21.03
Net interest income	6,232,100	4,475,079	+39.26
Commission and fees income	1,586,581	1,266,184	+25.30
Commission and fees expenses	<u>(93,449)</u>	<u>(77,785)</u>	-20.14
Net commission and fees income	1,493,132	1,188,399	+25.64
- Gains less losses arising from trading in foreign currencies	3,520	934,134	-99.62
- Gains less losses on securities held for trading purposes	(76,004)	(14,449)	-426.02
- Gains less losses from other trading activities	(49,057)	9,740	-603.67
- Others	<u>(62,730)</u>	<u>(99,599)</u>	+37.02
Other operating gains less losses	<u>(184,271)</u>	<u>829,826</u>	-122.21
	7,540,961	6,493,304	+16.13
Operating expenses			
Staff and rental expenses	(1,489,788)	(1,352,445)	-10.16
Other operating expenses	(981,422)	(681,761)	-43.95
Charge of impairment losses and allowances for impaired loans and receivables	(215,313)	(192,862)	-11.64
Write back of impairment allowances for available-for-sale investment securities	-	24,841	-100.00
Gains less losses from revaluation of investment properties	<u>25,283</u>	<u>5,967</u>	+323.71
Profit before taxation	4,879,721	4,297,044	+13.56
Tax expense	<u>(1,247,185)</u>	<u>(1,238,880)</u>	-0.67
Profit after taxation	<u>3,632,536</u>	<u>3,058,164</u>	+18.78
 II. Balance sheet information	 31 Dec 2015 HKD'000	 30 Jun 2015 HKD'000	 Variance %
Assets			
Cash and balances with banks	31,169,554	15,985,156	+94.99
Amount due from Exchange Fund repayable or callable within one month	26,476,732	32,954,341	-19.66
Placements with banks with residual maturity between one and twelve months	49,175,398	84,505,267	-41.81
Amount due from overseas offices	74,330,537	99,244,181	-25.10
Trade bills	52,271,513	83,051,991	-37.06
Certificates of deposit held	28,135,297	20,035,838	+40.42
Securities held for trading purposes	13,044,239	20,839,658	-37.41
Loans and receivables	187,393,022	193,278,276	-3.04
Investment securities	83,326,428	67,896,296	+22.73
Other investments	236,142	178,700	+32.14
Property, plant and equipment and investment properties	697,560	624,477	+11.70
Total assets	<u>546,256,422</u>	<u>618,594,181</u>	-11.69
Liabilities			
Deposits and balances from banks	63,285,919	68,916,290	-8.17
Deposits from customers - Demand deposits and current accounts	11,468,775	11,204,258	+2.36
- Saving deposits	65,354,903	69,347,263	-5.76
- Time, call and notice deposits	303,423,731	327,488,192	-7.35
Amount due to overseas offices	29,651,314	56,061,242	-47.11
Certificates of deposit issued	26,186,248	37,553,865	-30.27
Debt securities issued	18,909,543	19,314,665	-2.10
Other liabilities	27,905,250	28,660,567	-2.64
Provisions	70,739	47,839	+47.87
Total liabilities	<u>546,256,422</u>	<u>618,594,181</u>	-11.69

III. Additional balance sheet information	31 Dec 2015 HKD'000	30 Jun 2015 HKD'000	Variance %
(i) Loans and receivables			
- Loans and advances to customers	170,372,492	179,538,539	-5.11
- Accrued interest and other accounts	17,986,335	14,453,833	+24.44
	<u>188,358,827</u>	<u>193,992,372</u>	-2.90
Less: Impairment allowances for impaired loans and receivables			
- Collective impairment allowances (for loans and advances to customers)	(728,620)	(501,309)	+45.34
- Individual impairment allowances (for loans and advances to customers)	(165,758)	(144,982)	+14.33
- Individual impairment allowances (for accrued interest)	(62,559)	(59,669)	+4.84
- Individual impairment allowances (for other accounts)	(8,868)	(8,136)	+9.00
	<u>(965,805)</u>	<u>(714,096)</u>	+35.25
	<u>187,393,022</u>	<u>193,278,276</u>	-3.04
No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2015 and 30 Jun 2015.			
(ii) (a) Impaired loans and advances			
Gross impaired loans and advances to customers	261,969	158,867	+64.90
As percentage of total loans and advances to customers	0.15	0.09	+0.06
Individual impairment allowances	165,758	144,982	+14.33
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	149,927	137,821	+8.78
People's Republic of China	112,042	21,046	+432.37
	<u>261,969</u>	<u>158,867</u>	+64.90
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	92,833	6,131	+1414.16
(iii) Trade bills			
Gross trade bills	52,492,630	83,290,420	-36.98
Less: Impairment allowances			
- Collective impairment allowances	(216,228)	(233,540)	-7.41
- Individual impairment allowances	(4,889)	(4,889)	-
	<u>(221,117)</u>	<u>(238,429)</u>	-7.26
	<u>52,271,513</u>	<u>83,051,991</u>	-37.06
(iv) Investment securities			
Gross investment securities	84,021,103	68,593,017	+22.49
Less: Individual impairment allowances	(694,675)	(696,721)	-0.29
	<u>83,326,428</u>	<u>67,896,296</u>	+22.73

The amount of impairment allowances for investment securities maintained at our head office as at 31 Dec 2015 was CNY 52 million. (30 Jun 2015: CNY 49 million)

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

	31 Dec 2015 HKD'000	% of secured loans and advances	30 Jun 2015 HKD'000	% of secured loans and advances	Variance %
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
- Property development	8,347,439	32.31	6,757,492	16.22	+23.53
- Property investment	11,657,697	94.74	13,462,268	96.15	-13.40
- Financial concerns	21,837,332	19.38	17,871,760	23.63	+22.19
- Stockbrokers	3,757,615	33.27	8,333,412	13.79	-54.91
- Wholesale and retail trade	6,819,108	44.07	12,649,304	63.46	-46.09
- Manufacturing	4,104,517	9.45	5,599,444	66.70	-26.70
- Transport and transport equipment	5,494,695	87.13	7,725,828	90.17	-28.88
- Recreational activities	5,602	100.00	24,508	100.00	-77.14
- Information technology	30,456	-	14,477	28.25	+110.38
- Others	24,595,344	31.47	22,850,024	28.90	+7.64
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	362,130	99.78	406,979	99.69	-11.02
- Loans for the purchase of other residential properties	16,066,069	100.00	16,088,479	100.00	-0.14
- Credit card advances	136,063	-	137,765	-	-1.24
- Others	9,385,591	78.72	13,253,001	86.66	-29.18
Sub-total	112,599,658		125,174,741		-10.05
Trade finance	4,208,185	17.04	4,922,048	19.33	-14.50
Loans and advances for use outside Hong Kong					
	53,564,649	12.46	49,441,750	18.02	+8.34
Total	170,372,492	38.95	179,538,539	46.01	-5.11

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

	31 Dec 2015 HKD'000	30 Jun 2015 HKD'000	Variance %
Hong Kong	82,075,093	97,476,434	-15.80
People's Republic of China	84,635,045	80,828,722	+4.71
Other countries	3,662,354	1,233,383	+196.94
	170,372,492	179,538,539	-5.11

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 2015</u>					
Developing Asia-Pacific	133,348	9,915	12,415	67,441	223,119
of which China	132,553	9,231	12,415	66,897	221,096
Developed countries	28,685	40	2,412	270	31,407
<u>As at 30 Jun 2015</u>					
Developing Asia-Pacific	152,724	7,104	11,567	56,369	227,764
of which China	151,967	6,423	11,567	56,023	225,980
Developed countries	31,672	2,263	1,973	145	36,053
Offshore centres	1,713	229	555	27,336	29,833
of which Hong Kong	1,594	229	555	27,101	29,479

(vii)(a) Overdue loans and advances to customers	31 Dec 2015 HKD'000	% of total loans and advances to customers	30 Jun 2015 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	12,773	0.01	726	-
More than 6 months but not more than one year	3,333	-	6,194	-
More than one year	<u>128,181</u>	0.08	<u>143,872</u>	0.08
	<u>144,287</u>	0.09	<u>150,792</u>	0.08
		31 Dec 2015 HKD'000	30 Jun 2015 HKD'000	Variance %
Market value of collateral held against the secured overdue loans and advances		7,849	213	+3584.98
Secured overdue loans and advances		7,849	213	+3584.98
Unsecured overdue loans and advances		136,438	150,579	-9.39
Individual impairment allowances		133,879	143,987	-7.02
Overdue loans and advances to customers by geographical area				
Hong Kong		142,849	129,747	+10.10
People's Republic of China		<u>1,438</u>	<u>21,045</u>	-93.17
		<u>144,287</u>	<u>150,792</u>	-4.31

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 2015 HKD'000	% of trade bills	30 Jun 2015 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	-	-	-	-
More than 6 months but not more than one year	-	-	-	-
More than one year	<u>4,889</u>	0.01	<u>4,889</u>	0.01
	<u>4,889</u>	0.01	<u>4,889</u>	0.01
		% of debt securities		% of debt securities
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	<u>610,239</u>	0.49	<u>612,306</u>	0.56
	<u>610,239</u>	0.49	<u>612,306</u>	0.56
		31 Dec 2015 HKD'000	30 Jun 2015 HKD'000	Variance %
Secured overdue assets		-	-	-
Unsecured overdue assets		615,128	617,195	-0.33
Individual impairment allowances		699,564	701,610	-0.29
Overdue assets by geographical area				
Iceland		384,482	386,530	-0.53
United States		225,757	225,776	-0.01
Hong Kong		<u>4,889</u>	<u>4,889</u>	-
		<u>615,128</u>	<u>617,195</u>	-0.33

(vii)(c) Rescheduled loans	31 Dec 2015 HKD'000	30 Jun 2015 HKD'000	Variance %
Rescheduled loans to customers net of overdue more than three months	567	1,635	-65.32
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 2015 and 30 Jun 2015.

(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 2015</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	55,486,554	2,614,729	58,101,283
2. Local governments, local government-owned entities and their subsidiaries and JVs	11,016,736	428,510	11,445,246
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	21,135,520	2,050,016	23,185,536
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	223,413	-	223,413
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,157,156	855,804	4,012,960
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>91,019,379</u>	<u>5,949,059</u>	<u>96,968,438</u>
Total assets after provisions	546,185,683		
On-balance sheet exposures as percentage of total assets	16.66%		

	On-balance sheet exposure HKD'000	Off-balance sheet exposure HKD'000	Total exposures HKD'000
<u>As at 30 Jun 2015</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	49,395,820	3,730,539	53,126,359
2. Local governments, local government-owned entities and their subsidiaries and JVs	9,386,568	780,436	10,167,004
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	22,617,593	2,040,803	24,658,396
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	232,351	-	232,351
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,221,179	1,392,260	4,613,439
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>84,853,511</u>	<u>7,944,038</u>	<u>92,797,549</u>
Total assets after provisions	618,546,342		
On-balance sheet exposures as percentage of total assets	13.72%		

(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 2015</u>			
Spot assets	194,265	144,957	339,222
Spot liabilities	(96,892)	(185,901)	(282,793)
Forward purchases	272,631	415,803	688,434
Forward sales	(363,809)	(372,302)	(736,111)
Net options position*	(805)	805	-
Net long (short) position	<u>5,390</u>	<u>3,362</u>	<u>8,752</u>
<u>As at 30 Jun 2015</u>			
Spot assets	226,330	177,289	403,619
Spot liabilities	(183,797)	(171,226)	(355,023)
Forward purchases	322,094	370,710	692,804
Forward sales	(327,412)	(401,971)	(729,383)
Net options position*	63	(55)	8
Net long (short) position	<u>37,278</u>	<u>(25,253)</u>	<u>12,025</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 2015	30 Jun 2015	Variance
		HKD'000 Contract amount	HKD'000 Contract amount	%
	- Direct credit substitutes	5,714,155	5,508,511	+3.73
	- Trade related contingencies	4,685,582	6,770,480	-30.79
	- Others commitments	26,258,378	19,697,208	+33.31
	- Others	7,502,008	4,772,149	+57.20
		<u>44,160,123</u>	<u>36,748,348</u>	+20.17
(ii)	Derivatives	Contract amount HKD'000	Fair value assets HKD'000	Fair value liabilities HKD'000
	<u>As at 31 Dec 2015</u>			
	Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	794,330,169	9,185,130	8,087,305
	Interest rate contracts	334,452,833	1,845,522	2,376,441
	Others	5,264	67	108
		<u>1,128,788,266</u>	<u>11,030,719</u>	<u>10,463,854</u>
	<u>As at 30 Jun 2015</u>			
	Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	793,503,495	3,970,677	4,644,221
	Interest rate contracts	352,550,438	2,093,012	2,433,027
	Others	20,275	454	611
		<u>1,146,074,208</u>	<u>6,064,143</u>	<u>7,077,859</u>

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

V. Liquidity information

The Banking (Liquidity) Rules, effective on 1 January 2015, signified the implementation of Liquidity Coverage Ratio (LCR) for category 1 Institution under Basel III liquidity standards in Hong Kong. The liquidity information disclosures reported for the year 2015 under Basel III are therefore not directly comparable with the disclosures reported for year 2014 which was calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

		31 Dec 2015 (12 months)	31 Dec 2014 (12 months)
Average liquidity coverage ratio	- First quarter	115.13%	N.A.
	- Second quarter	154.01%	N.A.
	- Third quarter	103.23%	N.A.
	- Fourth quarter	141.24%	N.A.
Average liquidity coverage ratio for the period		128.06%	N.A.
Average liquidity ratio for the period		N.A.	68.26%

The LCR climbed moderately for the majority of the first semester in 2015 as our customer deposit base strengthened, while the Branch stepped up its holding of high quality liquid asset (HQLA). In the first 2 quarters of 2015, change in remaining maturity profile of unsecured wholesale transactions is one of the major drivers leading to the fluctuation of LCR.

The average LCR remained above 100% for the second semester in 2015. The fluctuation of LCR was caused by the change in Branch's asset and liability structure and funding activities, specifically the change in remaining maturity profile of customer deposits and unsecured wholesale transactions.

The Branch's average LCR for the year 2015 is 128.06%, well above the regulatory requirement of 60%.

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.

The majority of the Branch's HQLA consists of HKD Level 1 HQLA. The average HKD level 1 HQLA to HKD net cash outflow ratio in the year 2015 is 120.18%, well above the regulatory requirement of 20%.

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 limit and management action trigger level on LCR to ensure our liquidity risk is controlled at a 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 metrics and limits, 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 necessary.

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

2015 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 2015 : (75)		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)			82,014,151
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		141,871,037	10,461,121
3. <i>Stable retail deposits and stable small business funding</i>		4,693,022	234,651
4. <i>Less stable retail deposits and less stable small business funding</i>		67,351,388	6,735,139
5. <i>Retail term deposits and small business term funding</i>		69,826,627	3,491,331
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		182,163,789	109,540,958
7. <i>Operational deposits</i>		13,123,613	3,193,995
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		166,726,722	104,033,509
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		2,313,454	2,313,454
10. Secured funding transactions (including securities swap transactions)			5,645,269
11. Additional requirements, of which:		54,610,656	9,746,211
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		25,081,509	5,996,425
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>		29,529,147	3,749,786
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		4,492,524	4,492,524
16. Other contingent funding obligations (whether contractual or non-contractual)		23,929,796	674,352
17. TOTAL CASH OUTFLOWS			140,560,435
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		154,783,841	74,245,295
20. Other cash inflows		5,582,147	5,578,367
21. TOTAL CASH INFLOWS		160,365,988	79,823,662
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA			82,014,151
23. TOTAL NET CASH OUTFLOWS			60,736,773
24. LCR (%)			141.24%

2015 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 2015 : (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)			78,274,781
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		140,563,815	10,407,450
3. <i>Stable retail deposits and stable small business funding</i>		4,451,361	222,568
4. <i>Less stable retail deposits and less stable small business funding</i>		67,585,195	6,758,519
5. <i>Retail term deposits and small business term funding</i>		68,527,259	3,426,363
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		194,689,624	128,061,012
7. <i>Operational deposits</i>		12,437,052	3,005,928
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		180,145,939	122,948,451
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		2,106,633	2,106,633
10. Secured funding transactions (including securities swap transactions)			4,368,202
11. Additional requirements, of which:		41,696,599	7,847,185
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		19,531,869	4,860,866
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>		22,164,730	2,986,319
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		3,518,084	3,518,084
16. Other contingent funding obligations (whether contractual or non-contractual)		22,383,682	703,574
17. TOTAL CASH OUTFLOWS			154,905,507
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		150,420,915	70,474,809
20. Other cash inflows		5,635,367	5,634,345
21. TOTAL CASH INFLOWS		156,056,282	76,109,154
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA			78,274,781
23. TOTAL NET CASH OUTFLOWS			78,796,353
24. LCR (%)			103.23%

2015 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 2015 : (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)		74,028,363	
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:	143,665,114	10,684,157	
3. <i>Stable retail deposits and stable small business funding</i>	4,349,086	217,454	
4. <i>Less stable retail deposits and less stable small business funding</i>	70,018,017	7,001,802	
5. <i>Retail term deposits and small business term funding</i>	69,298,011	3,464,901	
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	191,785,862	128,995,420	
7. <i>Operational deposits</i>	10,552,726	2,578,381	
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	178,476,070	123,659,973	
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	2,757,066	2,757,066	
10. Secured funding transactions (including securities swap transactions)		8,818,949	
11. Additional requirements, of which:	45,318,837	8,630,969	
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	26,888,255	6,215,100	
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>	18,430,582	2,415,869	
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	4,089,227	4,089,227	
16. Other contingent funding obligations (whether contractual or non-contractual)	26,154,828	863,996	
17. TOTAL CASH OUTFLOWS		162,082,718	
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	177,387,379	104,547,937	
20. Other cash inflows	6,427,760	6,425,905	
21. TOTAL CASH INFLOWS	183,815,139	110,973,842	
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA		74,028,363	ADJUSTED VALUE
23. TOTAL NET CASH OUTFLOWS		53,538,791	
24. LCR (%)		154.01%	

2015 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 2015 : (73)		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)		66,517,974	
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:	142,415,841	10,217,225	
3. <i>Stable retail deposits and stable small business funding</i>	4,034,103	201,705	
4. <i>Less stable retail deposits and less stable small business funding</i>	61,928,661	6,192,866	
5. <i>Retail term deposits and small business term funding</i>	76,453,077	3,822,654	
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:	147,479,543	97,142,272	
7. <i>Operational deposits</i>	9,126,244	2,249,730	
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>	136,187,362	92,726,605	
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>	2,165,937	2,165,937	
10. Secured funding transactions (including securities swap transactions)		9,321,128	
11. Additional requirements, of which:	44,377,095	8,095,377	
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	27,351,745	6,377,818	
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>	17,025,350	1,717,559	
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,231,108	3,231,108	
16. Other contingent funding obligations (whether contractual or non-contractual)	19,558,247	866,885	
17. TOTAL CASH OUTFLOWS		128,873,995	
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	133,414,710	61,909,288	
20. Other cash inflows	8,032,879	8,029,193	
21. TOTAL CASH INFLOWS	141,447,589	69,938,481	
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA		66,517,974	ADJUSTED VALUE
23. TOTAL NET CASH OUTFLOWS		58,935,514	
24. LCR (%)		115.13%	

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 [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, Hong Kong Branch (“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 or the taking on of material exposures on behalf of the Branch.

(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 their 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.

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

	HKD’000	2015		2014	
		(No. of Senior Management : 11 No. of Key Personnel : 9) ^{Note 2}		(No. of Senior Management : 12 No. of Key Personnel : 9) ^{Note 2}	
		Non-deferred	Deferred	Non-deferred	Deferred
Fixed Remuneration					
– Cash		26,620	-	28,443	-
– Shares and share-linked instruments		-	-	-	-
Variable Remuneration					
– Cash		33,920	3,326	21,320	1,922
– Shares and share-linked instruments		-	-	-	-

	HKD’000	2015	2014
		Deferred Remuneration	
Vested			
– Cash		1,873	725
– Shares and share-linked instruments		-	-
Unvested (As at 31 Dec)			
– Cash		2,650	1,197
– Shares and share-linked instruments		-	-
Total		4,523	1,922
Awarded		3,326	1,922
Paid out		1,873	725
Reduced through performance adjustments		-	-
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit/ implicit adjustments		2,650	1,197
Total amount of reductions during the financial year due to:			
– Ex post explicit adjustment		-	-
– Ex post implicit adjustment		-	-

Note:

- 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 2014 and 2015.
- 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 2015 CNY million	30 Jun 2015 CNY million (Unaudited)	Variance %
Total loans and advances	3,634,568	3,623,674	+0.30
Total customer deposits	4,484,814	4,514,566	-0.66
Total assets	7,155,362	7,122,155	+0.47
Total liabilities	6,617,270	6,630,355	-0.20
Shareholders' equity	534,885	488,779	+9.43
Capital adequacy ratio	13.49%	13.12%	+0.37

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

	31 Dec 2015 (12 months) CNY million	31 Dec 2014 (12 months) CNY million	Variance %
Pre-tax profit	86,012	84,927	+1.28

Shou Fu Gang
Bank of Communications Co., Ltd. Hong Kong Branch
Chief Executive
31 March 2016