

# Industrial Bank Co., Ltd. Hong Kong Branch

Annual Financial Disclosure Statement (Unaudited)

As at 31 December 2015

**CONTENTS**

	<b>Pages</b>
Income statement information	1
Balance sheet information	2
Notes to the income statement and balance sheet information	3 - 6
Supplementary financial information	7 - 11
Bank consolidated financial information	12

INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH

INCOME STATEMENT INFORMATION  
FOR THE PERIOD ENDED 31 DECEMBER 2015 (UNAUDITED)

	Notes	1 January 2015 to 31 December 2015 HKD '000	11 March 2014 to 31 December 2014 HKD '000
Interest income		932,171	242,666
Interest expense		(651,219)	(159,693)
Net interest income		<u>280,952</u>	<u>82,973</u>
Other operating income	1	150,294	(43,677)
Operating income		<u>431,246</u>	<u>39,296</u>
Operating expenses	2	(140,313)	(147,991)
Operating profit / (loss) before impairment losses		<u>290,933</u>	<u>(108,695)</u>
Impairment losses for loans and advances		(42,095)	(776)
Profit / (loss) before taxation		<u>248,838</u>	<u>(109,471)</u>
Tax expense		<u>(27,174)</u>	<u>—</u>
Profit / (loss) after taxation		<u><u>221,664</u></u>	<u><u>(109,471)</u></u>

Remark: Industrial Bank Co., Ltd. Hong Kong Branch commenced business on 11 March 2014.

INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH

BALANCE SHEET INFORMATION  
AS AT 31 DECEMBER 2015 (UNAUDITED)

	<u>Notes</u>	31 December 2015 HKD '000	30 June 2015 HKD '000
<b>ASSETS</b>			
Cash and balances with banks		6,718,985	3,309,349
Due from Exchange Fund		246,938	2,452,513
Placements with banks maturing between one and twelve months		5,907,670	2,374,658
Amount due from overseas offices		23,882	5,564,874
Certificates of deposit held		9,323,168	2,575,506
Advances and other accounts	3	21,293,414	19,814,440
Securities held for trading		1,744,694	1,459,345
Held-to-maturity securities		335,957	—
Available-for-sale investment		15,586,107	640,223
Property and equipment		27,673	31,129
Total assets		<u>61,208,488</u>	<u>38,222,037</u>
<b>LIABILITIES</b>			
Deposits and balances from banks		11,160,940	12,050,533
Deposits from customers	5	42,377,655	17,498,385
Amount due to overseas offices		1,012,823	304,602
Certificates of deposit issued		3,602,166	7,672,145
Other liabilities		2,802,970	756,601
Total liabilities		<u>60,956,554</u>	<u>38,282,266</u>
<b>CAPITAL RESOURCES</b>			
Reserves	6	251,934	(60,229)
		<u>251,934</u>	<u>(60,229)</u>
		<u>61,208,488</u>	<u>38,222,037</u>

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET INFORMATION

**1 OTHER OPERATING INCOME**

	1 January 2015 to 31 December 2015 HKD '000	11 March 2014 to 31 December 2014 HKD '000
Gains less losses from foreign exchange operations and trading in derivatives		
Gains less losses arising from trading in foreign currencies	107,994	61,195
Gains less losses arising from non-trading activities in foreign currencies	(28,040)	(105,610)
Gains less losses arising from derivatives	---	---
	<u>79,954</u>	<u>(44,415)</u>
Gain less losses from investment held for trading	<u>21,247</u>	<u>---</u>
Net fee and commission income		
Fee and commission income	31,442	2,190
Less: Commission expenses	<u>(12,568)</u>	<u>(1,971)</u>
	<u>18,874</u>	<u>219</u>
Others		
Income from non-trading investment	30,219	---
Other Income	<u>---</u>	<u>519</u>
	<u>30,219</u>	<u>519</u>
	<u>150,294</u>	<u>(43,677)</u>

**2 OPERATING EXPENSES**

	1 January 2015 to 31 December 2015 HKD '000	11 March 2014 to 31 December 2014 HKD '000
Staff expenses	86,291	56,805
Rental expenses	13,580	15,415
Other operating expenses	40,442	75,771
	<u>140,313</u>	<u>147,991</u>

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET INFORMATION (CONTINUED)

**3 ADVANCES AND OTHER ACCOUNTS**

		31 December 2015 HKD '000	30 June 2015 HKD '000
Advances to customers	(Note 4)	18,405,305	16,849,153
Impairment allowances			
- collective		(42,871)	(23,829)
- individual			
		<u>18,362,434</u>	<u>16,825,324</u>
Trade bills		162,942	411,398
Impairment allowances			
- collective			
- individual			
		<u>162,942</u>	<u>411,398</u>
Accrued interest and other accounts		2,768,038	2,577,718
Impairment allowances			
- collective			
- individual			
		<u>2,768,038</u>	<u>2,577,718</u>
		<u>21,293,414</u>	<u>19,814,440</u>

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET INFORMATION (CONTINUED)

**4 ANALYSIS OF GROSS AMOUNT OF ADVANCES TO CUSTOMERS****a. Breakdown by industry sectors**

	31 December 2015		30 June 2015	
	HKD '000	% of gross advances covered by collateral	HKD '000	% of gross advances covered by collateral
Loans and advances for use in Hong Kong				
Industrial, commercial and financial				
Property development	3,143,009	98.89	1,637,521	95.27
Financial concerns	834,059	100.00	1,395,383	100.00
Stockbrokers	1,700,000	---	1,700,000	---
Wholesale and retail trade	6,213,617	100.00	7,127,817	100.00
Manufacturing	77,506	---	250,032	100.00
Others	1,088,801	78.78	217,832	---
Total loans and advances for use in Hong Kong	13,056,992	92.15	12,328,585	83.82
Trade finance	87,286	17.76	---	---
Loans and advances for use outside Hong Kong	5,261,027	79.87	4,520,568	91.43
Gross loans and advances to customers	<u>18,405,305</u>	88.28	<u>16,849,153</u>	85.86

There were no overdue and rescheduled loans and advances to customers which were individually determined to be impaired as at 31 December 2015 and 30 June 2015.

**b. Breakdown by geographical areas**

Advances to customers by geographical areas are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

	31 December 2015		30 June 2015	
	HKD '000	% of total advance	HKD '000	% of total advance
Gross loans and advances to customers				
Hong Kong	5,068,008	27.54	4,456,049	26.45
Mainland China	12,872,262	69.94	12,393,104	73.55
Others	465,035	2.52	---	---
	<u>18,405,305</u>	100.00	<u>16,849,153</u>	100.00

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET INFORMATION (CONTINUED)

**5 DEPOSITS FROM CUSTOMERS**

	31 December 2015 HKD '000	30 June 2015 HKD '000
Demand deposits and current accounts	579,917	449,979
Saving deposits	3,863,870	4,873,676
Time, call and notice deposits	37,933,868	12,174,730
	<u>42,377,655</u>	<u>17,498,385</u>

**6 RESERVES**

	31 December 2015		
	Investment revaluation reserve HKD '000	Retained earnings HKD '000	Total HKD '000
At 1 January 2015	(11,306)	(109,470)	(120,776)
Revaluation gain/(loss) of available-for-sale investment	178,827	---	178,827
Deferred taxation	(27,781)	---	(27,781)
Gain for the period	---	221,664	221,664
At 31 December 2015	<u>139,740</u>	<u>112,194</u>	<u>251,934</u>

	30 June 2015		
	Investment revaluation reserve HKD '000	Retained earnings HKD '000	Total HKD '000
At 1 January 2015	(11,306)	(109,470)	(120,776)
Revaluation gain/(loss) of available-for-sale investment	26,619	---	26,619
Deferred taxation	---	---	---
Gain for the period	---	33,928	33,928
At 30 June 2015	<u>15,313</u>	<u>(75,542)</u>	<u>(60,229)</u>

**7 COMPARATIVES**

Certain comparative amounts related to monetary authorities have been reclassified to conform with the balance sheet's presentation.



## SUPPLEMENTARY FINANCIAL INFORMATION

**1 INTERNATIONAL CLAIMS**

International claims are classified by the type and location of the counterparties after taking into account the ultimate risk lies for assessing country credit risk exposures. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Regions that constitute 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

As at 31 December 2015					
HKD Million					
	Banks	Official Sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Offshore centres	2,072	---	5,068	4,604	11,744
of which:					
Hong Kong SAR	2,062	---	4,795	4,139	10,996
Developing Asia-Pacific	19,175	24	4,608	18,417	42,224
of which:					
China	19,175	24	4,608	18,417	42,224

As at 30 June 2015					
HKD Million					
	Banks	Official Sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
Offshore centres	229	---	---	2,291	2,520
of which:					
Hong Kong SAR	222	---	---	2,291	2,513
Developing Asia-Pacific	13,296	---	640	14,065	28,001
of which:					
China	13,296	---	640	14,065	28,001

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

**2 CURRENCY RISK EXPOSURE**

The foreign currency exposure, of which the net position (in absolute terms) constitute not less than 10% of the total net position in all foreign currencies, are shown as follows:

31 December 2015 HKD million				
	USD	CNY	EUR	Total
Spot assets	42,224	9,374	1,932	53,530
Spot liabilities	(25,076)	(12,197)	(13)	(37,286)
Forward purchases	56,195	56,906	---	113,101
Forward sales	(74,061)	(52,920)	(1,908)	(128,889)
Net option position	1,241	(1,241)	---	---
Net long position	523	(78)	11	456
Net structural position	---	---	---	---

30 June 2015 HKD million				
	USD	CNY	EUR	Total
Spot assets	20,129	9,295	1,096	30,520
Spot liabilities	(18,157)	(12,119)	(17)	(30,293)
Forward purchases	53,766	57,257	563	111,586
Forward sales	(57,480)	(52,543)	(1,510)	(111,533)
Net option position	1,856	(1,856)	---	---
Net long/(short) position	114	34	132	280
Net structural position	---	---	---	---

The above foreign currency exposures included those arising from trading and non-trading position.

The net options position is calculated based on delta equivalent approach set out in the "Completion Instructions of Return of Foreign Currency Position" issued by the Hong Kong Monetary Authority ("HKMA").

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

## 3 MAINLAND ACTIVITIES

Non-bank Mainland China counterparties are identified in accordance with the definitions set out in "Return of Mainland Activities" issued by the HKMA. Exposures in the Mainland China to non-bank counterparties are summarised as follows:

31 December 2015			
HKD million			
	On-balance sheet exposures	Off-balance sheet exposures	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures	8,819	---	8,819
2 Local governments, local government-owned entities and their subsidiaries and joint ventures	7,203	296	7,499
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	4,820	2,289	7,109
4 Other entities of central government not reported in item 1 above	199	---	199
5 Other entities of local governments not reported in item 2 above	413	---	413
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,962	538	3,500
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	10,917	34	10,951
Total	35,333	3,157	38,490
Total assets after provision	61,208		
On-balance sheet exposures as percentage of total assets	57.73%		
(Restated) 30 June 2015			
HKD million			
	On-balance sheet exposures	Off-balance sheet exposures	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures	3,402	625	4,027
2 Local governments, local government-owned entities and their subsidiaries and joint ventures	4,370	---	4,370
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	3,174	---	3,174
4 Other entities of central government not reported in item 1 above	---	---	---
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	466	99	565
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	7,535	87	7,622
Total	18,947	811	19,758
Total assets after provision	38,222		
On-balance sheet exposures as percentage of total assets	49.57%		

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

**4 OFF-BALANCE SHEET EXPOSURES**

The following is a summary of the contractual amounts of each significant class of off-balance sheet exposures:

	31 December 2015 HKD million	30 June 2015 HKD million
Direct credit substitutes	2,932	917
Transaction-related contingencies	---	---
Trade-related contingencies	252	---
Note issuance and revolving underwriting facilities	---	---
Other commitments	157	87
	<u>3,341</u>	<u>1,004</u>

**5 DERIVATIVES FINANCIAL INSTRUMENTS**

The following is a summary of the contractual amounts of each type of derivatives:

	31 December 2015 HKD million	30 June 2015 HKD million
Exchange rate contracts	159,852	150,925
Interest rate contracts	---	---
	<u>159,852</u>	<u>150,925</u>

The following is a summary of the fair value of each type of derivatives:

	31 December 2015 HKD million	30 June 2015 HKD million
Exchange rate contracts	16	79
Interest rate contracts	---	---
	<u>16</u>	<u>79</u>

At 31 December 2015 and 30 June 2015, the amount of fair value has not taken into account the effect of any bilateral netting agreement.

## SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

**6 LIQUIDITY**

	1 January 2015 to 31 December 2015	11 March 2014 to 31 December 2014
Average liquidity maintenance ratio for the financial period	125.12%	---
Average liquidity ratio for the financial period	---	251.07%

The liquidity risk management conducts cash flow analysis and cash flow projection arising from on-and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. The Bank also regularly performs stress tests on its liquidity position. In the stress test, both on-and off-balance sheet items with a cash flow impact are considered, with applicable hypothetical and historical assumptions.

Three stressed scenarios, namely an institution-specific crisis scenario, a general market crisis scenario, and a combined scenario are adopted with minimum survival period defined pursuant to HKMA's latest Supervisory Policy Manual "Sound Systems and Controls for Liquidity Risk Management".

**I Equity & Capital Adequacy**

	30 June 2015 RMB million	31 December 2014 RMB million
<b>Equity attributable to equity holders of the Bank</b>	<u>288,023</u>	<u>257,934</u>
<b>Capital adequacy ratio (note 1)</b>	<u>11.03%</u>	<u>11.29%</u>

**II Other Consolidated Financial Information**

	30 June 2015 RMB million	31 December 2014 RMB million
<b>Balance Sheet:</b>		
Total assets	<u>5,125,903</u>	<u>4,406,399</u>
Total liabilities	<u>4,834,473</u>	<u>4,145,303</u>
Total loans and advances	<u>1,722,946</u>	<u>1,593,148</u>
Total customer deposits	<u>2,445,022</u>	<u>2,267,780</u>
	30 June 2015 RMB million	30 June 2014 RMB million
<b>Pre-tax profit for the financial period</b>	<u>35,582</u>	<u>33,429</u>

Note 1: The capital adequacy ratio above is calculated in accordance with the rules and regulations promulgated by the China Banking Regulatory Commission, and is not calculated according to the standards as stated in Section 105(a)(i) or (ii) of the Banking (Disclosure) Rules.