

Industrial Bank Co., Ltd. Hong Kong Branch

Interim Financial Disclosure Statement (Unaudited)

As at 30 June 2015

INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH

INTERIM FINANCIAL DISCLOSURE STATEMENT (UNAUDITED)
AS AT 30 JUNE 2015

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INDUSTRIAL BANK CO., LTD. HONG KONG BRANCH

INCOME STATEMENT INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2015

	Notes	30 June 2015 HKD '000	11 March 2014 to 30 June 2014 HKD '000
Interest income		364,217	4,850
Interest expense		(291,364)	(3,431)
Net interest income		<u>72,853</u>	<u>1,419</u>
Other operating income	1	34,082	865
Operating income		<u>106,935</u>	<u>2,284</u>
Operating expenses	2	(49,954)	(71,780)
Operating profit / (loss) before impairment losses		<u>56,981</u>	<u>(69,496)</u>
Impairment losses for loans and advances		(23,053)	---
Profit / (loss) before taxation		<u>33,928</u>	<u>(69,496)</u>
Tax expense		<u>---</u>	<u>---</u>
Profit / (loss) after taxation		<u><u>33,928</u></u>	<u><u>(69,496)</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 30 JUNE 2015

	Notes	30 June 2015 HKD '000	31 December 2014 HKD '000
ASSETS			
Cash and balances with banks	7	3,309,349	2,289,090
Due from Exchange Fund	7	2,452,513	448,037
Placements with banks maturing between one and twelve months		2,374,658	2,996
Amount due from overseas offices		5,564,874	9,113,791
Certificates of deposit held		2,575,506	---
Advances and other accounts	3	19,814,440	10,134,907
Securities held for trading		1,459,345	---
Available-for-sale investment		640,223	612,754
Property and equipment		31,129	28,921
Total assets		<u>38,222,037</u>	<u>22,630,496</u>
LIABILITIES			
Deposits and balances from banks		12,050,533	5,956,920
Deposits from customers	5	17,498,385	11,029,696
Amount due to overseas offices		304,602	308,897
Certificates of deposit issued		7,672,145	5,161,937
Other liabilities		756,601	293,822
Total liabilities		<u>38,282,266</u>	<u>22,751,272</u>
CAPITAL RESOURCES			
Reserves	6	(60,229)	(120,776)
		<u>(60,229)</u>	<u>(120,776)</u>
		<u>38,222,037</u>	<u>22,630,496</u>

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET INFORMATION

1 OTHER OPERATING INCOME

	30 June 2015 HKD '000	11 March 2014 to 30 June 2014 HKD '000
Gains less losses from foreign exchange operations and trading in derivatives		
Gains less losses arising from trading in foreign currencies	71,515	2,591
Gains less losses arising from non-trading activities in foreign currencies	(40,074)	(1,745)
Gains less losses arising from derivatives	---	(35)
	<u>31,441</u>	<u>811</u>
Net fee and commission income		
Fee and commission income	8,578	41
Less: Fee and commission expenses	(5,937)	---
	<u>2,641</u>	<u>41</u>
Other income	---	13
	<u>34,082</u>	<u>865</u>

2 OPERATING EXPENSES

	30 June 2015 HKD '000	11 March 2014 to 30 June 2014 HKD '000
Staff expenses	30,831	8,628
Rental expenses	4,571	3,551
Other operating expenses	14,552	59,601
	<u>49,954</u>	<u>71,780</u>

3 ADVANCES AND OTHER ACCOUNTS

		30 June 2015 HKD '000	31 December 2014 HKD '000
Advances to customers	(Note 4)	16,849,153	8,529,559
Impairment allowances			
- collective		(23,829)	(776)
- individual		---	---
		<u>16,825,324</u>	<u>8,528,783</u>
Trade bills		411,398	1,257,797
Impairment allowances			
- collective		---	---
- individual		---	---
		<u>411,398</u>	<u>1,257,797</u>
Accrued interest and other accounts		2,577,718	348,327
Impairment allowances			
- collective		---	---
- individual		---	---
		<u>2,577,718</u>	<u>348,327</u>
		<u>19,814,440</u>	<u>10,134,907</u>

4 ANALYSIS OF GROSS AMOUNT OF ADVANCES TO CUSTOMERS

a. Breakdown by industry sectors

	30 June 2015		31 December 2014	
	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	1,637,521	95.27	1,560,000	100.00
Financial concerns	1,395,383	100.00	620,404	100.00
Stockbrokers	1,700,000	0.00	---	---
Wholesale and retail trade	7,127,817	100.00	2,359,705	96.71
Manufacturing	250,032	100.00	250,032	100.00
Others	217,832	0.00	---	---
Total loans and advances for use in Hong Kong	<u>12,328,585</u>	83.82	<u>4,790,141</u>	98.38
Trade finance	---	---	111,715	100.00
Loans and advances for use outside Hong Kong	4,520,568	91.43	3,627,703	100.00
Gross loans and advances to customers	<u><u>16,849,153</u></u>	85.86	<u><u>8,529,559</u></u>	99.09

There were no overdue and rescheduled loans and advances to customers which were individually determined to be impaired as at 30 June 2015 and 31 December 2014.

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.

	30 June 2015		31 December 2014	
	HKD '000	% of total advance	HKD '000	% of total advance
Gross loans and advances to customers				
Hong Kong	4,456,049	26.45	439,297	5.15
Mainland China	12,393,104	73.55	8,090,262	94.85
	<u><u>16,849,153</u></u>	100.00	<u><u>8,529,559</u></u>	100.00

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

5 DEPOSITS FROM CUSTOMERS

	30 June 2015 HKD '000	31 December 2014 HKD '000
Demand deposits and current accounts	449,979	63,670
Saving deposits	4,873,676	2,458,847
Time, call and notice deposits	12,174,730	8,507,179
	<u>17,498,385</u>	<u>11,029,696</u>

6 RESERVES

	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 of available-for-sale investment	26,619	---	26,619
Gain for the period	---	33,928	33,928
At 30 June 2015	<u>15,313</u>	<u>(75,542)</u>	<u>(60,229)</u>
	31 December 2014		
	Investment revaluation reserve HKD '000	Retained earnings HKD '000	Total HKD '000
At 11 March 2014	---	---	---
Revaluation loss of available-for-sale investment	(11,306)	---	(11,306)
Loss for the period	---	(109,470)	(109,470)
At 31 December 2014	<u>(11,306)</u>	<u>(109,470)</u>	<u>(120,776)</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 constitute 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

	30 June 2015					
	HKD million					
	Banks	Official Sector	Non-bank private sector		Others	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

	31 December 2014					
	HKD million					
	Banks	Official Sector	Non-bank private sector		Others	Total
Non-bank financial institutions			Non-financial private sector			
Offshore centres	---	---	---	6,065	---	6,065
of which:						
Hong Kong SAR	---	---	---	6,065	---	6,065
Developing Asia-Pacific	10,681	---	---	2,057	---	12,738
of which:						
China	10,681	---	---	2,057	---	12,738

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:

	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 position	<u>114</u>	<u>34</u>	<u>132</u>	<u>280</u>
Net structural position	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
	31 December 2014 HKD million			
	USD	CNY	EUR	Total
Spot assets	8,926	11,114	---	20,040
Spot liabilities	(8,081)	(9,280)	---	(17,361)
Forward purchases	16,662	14,830	---	31,492
Forward sales	(17,225)	(16,947)	---	(34,172)
Net option position	(280)	280	---	---
Net long/(short) position	<u>2</u>	<u>(3)</u>	<u>---</u>	<u>(1)</u>
Net structural position	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

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:

	30 June 2015		
	HKD million		
	On-balance sheet exposures	Off-balance sheet exposures	Total
Central government, central government-owned entities and their subsidiaries and joint ventures	3,201	625	3,826
Local governments, local government-owned entities and their subsidiaries and joint ventures	4,370	---	4,370
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	2,063	---	2,063
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
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,847	87	8,934
Total	18,947	811	19,758
Total assets after provision	38,222		
On-balance sheet exposures as percentage of total assets	49.57%		
	(restated)		
	31 December 2014		
	HKD million		
	On-balance sheet exposures	Off-balance sheet exposures	Total
Central government, central government-owned entities and their subsidiaries and joint ventures	2,335	---	2,335
Local governments, local government-owned entities and their subsidiaries and joint ventures	603	154	757
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	864	---	864
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	78	61	139
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,314	---	5,314
Total	9,194	215	9,409
Total assets after provision	22,630		
On-balance sheet exposures as percentage of total assets	40.63%		

4 OFF-BALANCE SHEET EXPOSURES

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

	30 June 2015 HKD million	31 December 2014 HKD million
Direct credit substitutes	917	61
Transaction-related contingencies	---	---
Trade-related contingencies	---	156
Note issuance and revolving underwriting facilities	---	---
Other commitments	87	---
	<u>1,004</u>	<u>217</u>

5 DERIVATIVES FINANCIAL INSTRUMENTS

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

	30 June 2015 HKD million	31 December 2014 HKD million
Exchange rate contracts	150,925	49,642
Interest rate contracts	---	---
	<u>150,925</u>	<u>49,642</u>

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

	30 June 2015 HKD million	31 December 2014 HKD million
Exchange rate contracts	79	12
Interest rate contracts	---	---
	<u>79</u>	<u>12</u>

At 30 June 2015 and 31 December 2014, the amount of fair value has not taken into account the effect of any bilateral netting agreement.

6 LIQUIDITY

	30 June 2015	11 March 2014 to 30 June 2014
Average liquidity maintenance ratio for the financial period	183.75%	---
Average liquidity ratio for the financial period	---	149.06%

The Branch conducts cash flow analysis and cash flow projection arising from on-balance sheet and off-balance sheet items over a set of time horizons on a regular basis to identify funding needs in specific time buckets. The Branch also regularly performs stress tests on its liquidity position. In the stress test, both on-balance sheet 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".

CONSOLIDATED FINANCIAL INFORMATION OF INDUSTRIAL BANK CO., LTD.

I	Equity & Capital Adequacy	30 June 2015 RMB million	31 December 2014 RMB million
	Equity attributable to equity holders of the Bank	<u><u>288,023</u></u>	<u><u>257,934</u></u>
	Capital adequacy ratio (note 1)	<u><u>11.03%</u></u>	<u><u>11.29%</u></u>
II	Other Consolidated Financial Information	30 June 2015 RMB million	31 December 2014 RMB million
	Balance Sheet:		
	Total assets	<u><u>5,125,903</u></u>	<u><u>4,406,399</u></u>
	Total liabilities	<u><u>4,834,473</u></u>	<u><u>4,145,303</u></u>
	Total loans and advances	<u><u>1,722,946</u></u>	<u><u>1,593,148</u></u>
	Total customer deposits	<u><u>2,445,022</u></u>	<u><u>2,267,780</u></u>
		30 June 2015 RMB million	30 June 2014 RMB million
	Pre-tax profit for the financial period	<u><u>35,582</u></u>	<u><u>33,429</u></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.