Annex 15

Requirements on Information Disclosure

1. Major risk management system

1.1 Objectives, policies and procedures of credit risk management;

1.2 Objectives, policies and procedures of market risk management;

1.3 Objectives, policies and procedures of operational risk management;

1.4 Objectives, policies and procedures concerning the management of other material risks;

1.5 Organizational structure and management functions of risk management system.

2. Scope of Capital Adequacy Ratios Calculation

2.1 The Name of banking group;

2.2 Scope of CAR application;

2.3 Differences in scopes between capital adequacy ratios calculation and financial statement consolidation, and the table of correspondence between those two;

2.4 Methods used for disclosing and calculating consolidated CAR according to the types of invested institutions;

2.5 Basic information about top ten invested institutions falling within calculation scope in terms of equity investment balance and those subjected to deduction treatment;

2.6 Regulatory capital deficiencies of invested financial institutions with majority stake or control right held by the banking group;

2.7 Restriction on capital transfer within banking group.
3. Capital adequacy and structure

3.1 Correspondence between all items of regulatory capital and those of audited balance sheet

3.2 Capital structure:

3.2.1 End-period balance of Common Equity Tier 1 capital, including:
   3.2.1.1 Paid-up capital/common share;
   3.2.1.2 Capital reserve;
   3.2.1.3 Surplus reserve;
   3.2.1.4 General reserves;
   3.2.1.5 Undistributed profits; and
   3.2.1.6 Minority interests eligible for inclusion in common equity tier 1 capital.

3.2.2 End-period balance of Additional Tier 1 capital, including:
   3.2.2.1 Tier 1 capital instruments and their premiums; and
   3.2.2.2 Minority interests eligible for Tier 1 capital.

3.2.3 End-period balance of Tier 2 capital, including:
   3.2.3.1 Tier 2 capital instruments;
   3.2.3.2 Excess loan loss provisions eligible for Tier 2 capital;
   3.2.3.3 Minority interests eligible for Tier 2 capital.

3.3 End-period balance of total capital;

3.4 Capital deductions

3.4.1 Deductions from core tier 1 capital including:
   3.4.1.1 Goodwill;
   3.4.1.2 Other intangible assets (except land use right);
   3.4.1.3 Deferred income tax assets relating to operating losses;
   3.4.1.4 Loan loss provision gap;
   3.4.1.5 Gain on sale related to securitization transactions;
   3.4.1.6 Defined benefit pension fund assets net of associated deferred tax liabilities;
   3.4.1.7 Direct and/or indirect investments in the shares owned by the bank itself;
   3.4.1.8 Positive amounts to be deducted from and negative
amounts to be added back to cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet;

3.4.1.9 Unrealized gains and losses that have resulted from changes in the fair value of liabilities due to changes in the banks’ own credit risk.

3.4.2 Amount of capital investments reciprocally held by two or more commercial banks through contractual agreements or deemed by the CBRC to artificially inflate the capital position, which is to be deducted from the related regulatory assets accordingly;

3.4.3 The part of non-significant minority investment in financial institutions outside the scope of consolidation which goes beyond 10% of the banks’ common equity tier 1 capital and therefore is to be deducted from the related regulatory assets accordingly;

3.4.4 The part of significant minority investment in financial institutions outside the scope of consolidation which goes beyond 10% of the banks’ common equity tier 1 capital and therefore is to be deducted from the common equity tier 1 capital;

3.4.5 The significant minority investment in financial institutions outside the scope of consolidation which is against the additional tier 1 and tier 2 capital and therefore to be deducted from the related regulatory assets accordingly;

3.4.6 The positive amount, if any, between other deferred tax assets (DTAs) relying on bank’s future profitability and 10% of the bank’s common equity tier 1 capital shall be deducted from the bank’s common equity tier 1 capital.

3.4.7 The amount, if any, between the sum of significant minority investments in financial institutions and corresponding DTAs not deducted from the bank’s common equity tier 1 capital and 15% of bank’s common equity tier 1 capital.

3.5 Caps and minimum requirements, and their positive and negative impacts on capital, including:
3.5.1 The cap for capital deduction, i.e. the amount to be deducted from various items to which threshold deduction is applicable. Should the cap for deduction be not reached, the specific amount deducted from each item and its difference with the cap shall be disclosed.

3.5.2 The cap of excess loan loss provisions eligible for inclusion in tier 2 capital. If the cap for inclusion is not reached, the specific amount and its difference with the cap shall be disclosed.

3.6 Main features of various qualified capital instruments issued;

3.7 Disclosure of terms and conditions for all regulatory capital tool on the website;

3.8 Increase/decrease of paid-up capital, division and merger within reporting period;

3.9 Major capital investment within reporting period.

4. CAR of various tiers

The unconsolidated core tier 1 CAR, tier 1 CAR, CAR and consolidated core tier 1 CAR, tier 1 CAR, CAR as well as their computing methods shall be disclosed on an individual basis.

5. Risk weighted assets

5.1 Credit risk capital measurement approach, overall capital requirements, capital requirements covered by IRB approach against credit risk exposure, capital requirements not covered by IRB approach against credit risk exposure, capital requirements against asset securitization risk exposure, and credit risk weighted assets.

5.2 Market risk capital measurement approach, overall capital requirements, capital requirements calculated under internal models approach, capital requirements calculated under standardized approach, and market risk weighted assets.

5.3 Operational risk capital measurement approach, overall capital
requirements, capital requirements calculated under basic indicator approach, capital requirements calculated under standardized approach, capital requirements calculated under advanced measurement approach, and operational risk weighted assets.

5.4 Major changes in risk measurement system and their impact on corresponding capital requirements.

6. Credit risk exposures and assessment

6.1 Qualitative information about credit risk exposure, including the definition of overdue and non-performing loan, approach of making loan loss provisions, measurement approaches for various risk exposures, etc.

6.2 Quantitative information about credit risk exposure, including the total amount of credit risk exposure, net exposure of various risks under different capital measurement approaches, geographic distribution of credit risk exposures, distribution of industries or transaction counterparties, distribution of residual maturity, total amount of non-performing loans, balance of loan loss provisions, changes in reporting period, etc.

6.3 For commercial banks using IRB approach, the qualitative information to be disclosed shall include the approval of CBRC recognizing the bank’s IRB approach, governance structure of rating system, application of rating structure and rating results, definition and data of risk parameters, basic approaches and assumptions for risk measurement, etc.

6.4 Commercial banks using IRB approach shall disclose the quantitative information about non-retail credit risk exposure, including the various pre/postmitigation risk exposures classified as per the level of PD, average PD, weighted average LGD of risk exposure, weighted average risk weights of exposures, etc. If the commercial banks merge the levels of PD in the course of information disclosure, the above information shall be disclosed according to the merged levels of PD.

6.5 Commercial banks using IRB approach shall disclose the quantitative information about retail credit risk exposure, including the pre/postmitigation risk exposure of home mortgage loans, qualified revolving retail credit and other retail credit, average PD, average LGD, average risk weights, etc.
6.6 Commercial banks using IRB approach shall also disclose the relevant information about historical losses: the difference between historical loss data and actual loss of various risk exposures within reporting period, and the reasons for such

6.7 Commercial banks shall disclose information concerning credit risk exposures not covered by the regulatory weighting approach or IRB approach, and such information includes the way to determine risk weight, pre/postmitigation risk exposure and deductions thereof classified as per levels of risk weight, pre/post-mitigation risk exposure classified as per credit recipients, etc.

The risk exposures relating to ownership of various capital instruments issued by other commercial banks, equity investment in companies, and real estate not for its own use shall be disclosed on an individual basis.

6.8 Commercial banks adopting the regulatory mapping approach for measuring capital requirements onprofessional loan shall disclose the various risk exposures before/after risk mitigation classified as per levels of risk weight.

6.9 Commercial banks shall disclose the qualitative information about credit risk mitigation, including the risk mitigation policies, management process of risk mitigation instruments, risk mitigation degree, net settlement, types of main collateral and pledges, policies and procedures for valuation of collaterals and pledges, main types and credit standing of guarantors and derivatives transaction counterparties, concentration rate of their mitigation instruments, etc.

6.10 Commercial banks shall disclose the quantitative information about credit risk mitigation, including the net settlement of various types of risk exposures, qualified financial collaterals, other qualified collaterals and pledges, risk exposures covered by guarantee and credit derivative instruments.

7. Market risk exposures and assessment

7.1 Qualitative information about market risk exposure and assessment, including:
7.1.1 The risk exposure covered by standardized approach for measurement of market risk, etc.

7.1.2 The risk exposure covered by internal model approach for measurement of market risk, model features and stress test results, etc.

7.2 Quantitative information about market risk exposure and assessment, including:

7.2.1 Where the standardized approach is used for measurement of market risk, the capital requirements or interest rate risk, equity risk, exchange rate risk, commodity risk, and option risk shall be disclosed.

7.2.2 Where the internal models approach is used for measurement of market risk, the end period Value-at-Risk, maximum/minimum/average Value-at-Risk within reporting period, and significantly abnormal values in back testing shall be disclosed.

8. Operational risk exposures and assessment

Measurement approach and risk exposure required by operational risk capitals, etc; where the advanced measurement approach is used for measurement of operational risk, the considered internal and external factors, and pre/post-insurance operational risk capital requirements shall be disclosed.

9. Asset securitization risk exposures and assessment

9.1 Qualitative information about asset securitization risk exposure and assessment, including:

9.1.1 Objectives of securitization of the commercial bank, including the extent to which credit risk of securitized assets transfers to other entities and associated risks taken by the bank as a result;

9.1.2 Roles of the commercial bank in the process of securitization and level of participation into each process;
9.1.3. Capital measurement approach;

9.1.4. Accounting policies related to securitization, including the nature of transaction, principles for gains confirmation, accounting policies for synthetic asset securitization; and

9.1.5. Name of external rating agency used for each asset securitization product.

9.2. Quantitative information about securitization risk exposure and assessment, including:

9.2.1. Net exposure of traditional and synthetic securitization risk; if the originating institution does not keep any securitization risk exposure for the asset securitization transaction, such transactions shall be listed separately in current year’s report.

9.2.2. Non-performing and overdue securitized assets and their losses confirmed within reporting period (grouped by category of risk exposure).

9.2.3. Risk exposure of various securitized assets held or purchased by commercial banks (grouped by category of securitization risk exposure).

9.2.4. Risk exposure of securitized assets held or purchased by commercial banks and capital requirements for IRB approach (grouped by risk weight).

9.2.5. In the event of the early amortization in securitization, the followings shall be disclosed for each type of securitized asset:

9.2.5.1. The withdrawal risk exposure concerning the equity of originating institutions and investors;

9.2.5.2. The capital requirements for withdrawn part (such as the seller) kept by commercial banks based on the IRB approach;

9.2.5.3. The capital requirements for withdrawn part and un-withdrawn part of investors’ equity kept by commercial banks based on the IRB approach.
9.2.6 Commercial banks using the standardized approach shall also make disclosures as per the requirements specified in 9.2.4 and 9.2.5 above, but shall follow the capital requirements specified by the standardized approach.

9.2.7 For the securitization originated by commercial banks within reporting period, the balance of securitized assets and the confirmed gains or losses from various sold securitized assets shall be disclosed.

10. Exposures and assessment of other risks

10.1 Qualitative information about counterparty credit risk exposure, including the management of counterparty credit risk exposure, policies for management of collateral and pledges, margin policy, policies related to wrong-way risk exposure, as well as the impact on the additional collaterals and pledges to be provided by the bank in the event of credit-rating downgrade.

10.2 Qualitative information about banking book equity risk exposure, including the treatment of risk exposure of insignificant or significant equity investment; categories, features and objectives of equity investment; important policies for banking book equity valuation and accounting treatment, including the accounting method, valuation method, key assumptions as well as major changes in such methods and assumptions;

10.3 Quantitative information about equity banking book risk exposure, including the equity investment in financial institutions and companies (including the balance of open transactions and non-open transactions) and the unrealized potential returns of equity risk exposure.

10.4 Qualitative information about banking book interest rate risk exposure, including the features of and important assumptions for banking book interest rate risk exposure, the assumptions regarding such important customer behaviors as early loan repayment and demand deposit, frequency of banking book interest rate risk measurement.

10.5 Quantitative information about banking book interest rate risk exposure, including the effect of interest rate’s fluctuation on incomes and equity by major currencies.

10.6 Commercial banks that have established off-balance sheet institutions
or entities shall disclose qualitative information about the off-balance sheet institutions or entities, such as the business scope, main business varieties, risk features and so on.

10.7 Commercial banks that have established off-balance sheet institutions or entities shall disclose quantitative information about off-balance activities, such as large exposure, conversion coefficient, and risk exposure, etc.

11. Internal capital adequacy assessment

11.1 Approaches and procedures of internal capital adequacy assessment.

11.2 Capital planning and CAR management plan.

12. Compensation

12.1 Qualitative information about compensation, including:

12.1.1 The structure and authority of compensation management committee (team) and basic information about the bank’s senior executives and employees working on positions that have material impact on risks;

12.1.2 The features, objectives, applicable scope, consideration and revision of compensation policies, and the measures and policies to ensure the compensation of employees working on risk and compliance management is independent from the performance of business lines under their oversight;

12.1.3 How compensation policies are linked with current and future risks;

12.1.4 How the level of compensation is linked with the bank’s performance;

12.1.5 The method for adjusting compensation level according to the long-term performance.

12.1.6 Category of payment instrument for variable compensation and reasons for using such instrument.
12.2 Quantitative information about compensation, including:

12.2.1 The compensation of the bank’s compensation management committee (team) members and how often compensation supervision meetings are convened.

12.2.2 The number of employees obtaining performance bonus and severance pay and the total amount of both.

12.2.3 The total amount of deferred compensations that have been paid and not paid.

12.2.4 The total amount of compensation shall be disclosed by fixed compensation and variable compensation, unrestricted compensation and deferred compensation, and payment instrument.

12.2.5 Information about explicit and implicit adjustment of deferred compensation and retained compensation.

The disclosure of quantitative information about compensation is only limited to the bank’s senior executives and employees working on positions that have material impact on risks.