

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED

30th JUNE 2017

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BPI INTERNATIONAL FINANCE LIMITED

REPORTS OF THE DIRECTORS

The directors of BPI International Finance Limited (the "Company") are pleased to announce that the unaudited consolidated interim results of the Company's and its subsidiaries (the "Group") operations for the six months ended 30th June 2017.

Principal activities

The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance. The Company is licensed under the Hong Kong Securities and Futures Ordinance for dealing in securities, advising on securities and asset management activities. Its principal activities are the provision of financial services and dealing in securities on behalf of customers. The principal activities of its associate and subsidiaries are set out in Notes 13 and 14 to the consolidated financial statements respectively.

Results and appropriations

The results of the Group for the period ended 30th June 2017 are set out in the consolidated statement of comprehensive income on page 3.

The directors do not recommend the payment of a dividend (2016: Nil).

Directors of the Company and its subsidiaries

The directors of the Company and its subsidiaries during the year and up to the date of this report were:

Mario Antonio V. Paner

Joseph Albert L. Gotuaco

Tomas S. Chuidian

Edgardo O. Madrilejo

Natividad N. Alejo

Benjamin Elpidio N. Panganiban Jr.

Roy Emil S. Yu

(Resigned on 31st December 2016)

Melinda V. Dulay

Brecilda G. Tan

Archie Lin

Angelie O. King

Ma. Carmencita S. Bustamante

(Appointed on 19th January 2017)

Mr. Roy Emil S. Yu resigned as director of the company on 31st of December 2016. He has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the company needed to be brought to the attention of the shareholders of the company.

In accordance with Article 21 of the Company's Articles of Association, all directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporations.

BPI INTERNATIONAL FINANCE LIMITED

REPORTS OF THE DIRECTORS (CONTINUED)

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules. The Banking (Disclosure) Rules set out the minimum standards for public disclosure which authorized institutions must make in respect of the statement of comprehensive income, its state of affairs and capital adequacy. The financial statements for the financial period ended 30th June 2017 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

On behalf of the Board


Natividad N. Alejo, Chairman

Hong Kong

BPI INTERNATIONAL FINANCE LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30TH JUNE 2017 (Unaudited)**

		Unaudited	
		Six months ended 30 June	
	Note	2017 HK\$'000	2016 HK\$'000
Interest income	4	2,714	2,544
Interest expense		(883)	(935)
Net interest income		1,831	1,609
Other operating income	5	17,450	17,082
Operating income		19,281	18,691
Operating expenses	6	(16,883)	(14,959)
Profit before taxation		2,398	3,732
Income tax expenses	7	(587)	(701)
Profit for the period		1,811	3,031
<u>Other comprehensive income:</u>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Change in fair value of available-for-sale securities, net of tax		60	907
Total comprehensive income for the period		1,871	3,938

The notes on pages 6 to 25 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30TH JUNE 2017 (Unaudited)**

	Note	Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
Assets			
Cash and short-term funds	8	98,850	152,542
Placements with banks and other financial institutions maturing between one and twelve months	9	188,667	124,057
Held-to-maturity securities	10	11,627	29,662
Advances and other accounts	11	22,075	24,606
Current tax assets		-	828
Available-for-sale securities	12	120,006	93,734
Investment in associate	13	-	-
Fixed assets	15	301	810
Deferred tax assets		202	202
Total assets		<u>441,728</u>	<u>426,441</u>
Liabilities			
Time deposits from customers		253,592	236,612
Other payables		2,474	5,796
Tax payable		343	585
Deferred tax liabilities		-	-
Total liabilities		<u>256,409</u>	<u>242,993</u>
Equity			
Share capital		75,000	75,000
Retained earnings		110,148	108,337
Investment revaluation reserve		171	111
		<u>185,319</u>	<u>183,448</u>
Total equity and liabilities		<u>441,728</u>	<u>426,441</u>


Natividad N. Alejo


Archie Lin

The notes on pages 6 to 25 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE PERIOD ENDED 30TH JUNE 2017**

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings ¹ HK\$'000	Total HK\$'000
At 1st January 2016	75,000	(199)	105,527	180,328
Comprehensive income				
Profit for the year	-	-	2,810	2,810
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	310	-	310
Total comprehensive income for the year	-	310	2,810	3,120
At 31st December 2016 and 1 January 2017	75,000	111	108,337	183,448
Comprehensive income				
Profit for the period	-	-	1,811	1,811
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	60	-	60
Total comprehensive income for the period	-	60	1,811	1,871
At 30th June 2017	75,000	171	110,148	185,319

¹As at 30th June 2017, an amount of HK\$1,691,649 (2016: HK\$1,691,649) was earmarked from retained earnings as a regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve, if any, are made directly through retained earnings following consultation with the Hong Kong Monetary Authority.

The notes on pages 6 to 25 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

1 General information

The principal activities of BPI International Finance Limited (the “Company”) and its subsidiaries (together the “Group”) are the provision of financial services and dealing in securities on behalf of customers. The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance and licensed under the Hong Kong Securities and Futures Ordinance for dealing in securities, advising on securities and asset management activities.

The Company is incorporated in Hong Kong and its registered office is 23/F Entertainment Building, 30 Queen’s Road Central, Hong Kong.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(i) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortization – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012-2014 Cycle, and
- Disclosure initiative – amendments to HKAS 1.

The adoption of these amendments did not have any impact on the current period or any prior and is not likely to affect future periods.

(ii) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, “Financial instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) *New standards and interpretations not yet adopted (Continued)*

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirement only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements, which the management expects to complete in the coming months and has identified the following areas that are likely to be affected:

- Revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- Accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

HKFRS 15, "Revenue from contracts with customers" (Continued)

- Rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group does not intend to adopt the standard before 1 January 2018.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all lease being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating lease. At 30 June 2017, the Group has non-cancellable operating lease commitments of HK\$ 23,296,107.85 see note 19. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30th June.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated into the financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. In the Company's balance sheet, the investment in subsidiaries is stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(c) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The investment in the associate is accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's balance sheet, the investment in the associate is stated at cost less allowance for impairment losses. The result of the associate is accounted for by the Company on the basis of dividend received and receivable.

(d) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(e) Fee and commission income and expense

Fee and commission income and expense are generally recognised on an accrual basis when the service has been provided.

Service fees represents fees received from customers for custodian services. The fees are calculated based on agreed percentages on the value of client investment portfolio over the servicing period. The fee is recognized on an accrual, time-proportionate basis.

Commission income is recognized on completion of the underlying transactions.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(f) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity securities and available-for-sale securities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables include cash and short-term funds, placements with banks and other financial institutions and advances to customers. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses.

(ii) *Held-to-maturity securities*

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction cost, and subsequently measured at amortised cost using the effective interest rate method, less any impairment allowance. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iii) *Available-for-sale securities*

Available-for-sale securities are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or not classified in any of the other categories.

Available-for-sale securities are stated at fair value. They are subsequently re-measured at fair value, and changes therein are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve until the financial assets is derecognised or impaired at which time the cumulative gain or loss previously recognised in the investment revaluation reserve is recognised in the statement of comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(d).

Purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(g) Impairment of financial assets

(i) *Financial assets carried at amortized cost*

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the Group; or
 - national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(g) Impairment of financial assets (Continued)

(i) *Financial assets carried at amortized cost (Continued)*

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, overdue status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

(ii) *Financial assets classified as available-for-sale*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(h) Financial liabilities

Financial liabilities are initially recognized at fair value net of transaction costs incurred, and subsequently, carried at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the statement of comprehensive income over the period of the financial liabilities using the effective interest method.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of investment in subsidiaries and associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Fixed assets

Fixed assets are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the remaining period of lease
Furniture, fixtures and equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(l) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred taxation is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity, such as the investment revaluation reserve.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are recognised when the absences occur.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(m) Employee benefits (Continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the statement of comprehensive income as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised directly in the statement of comprehensive income. Assets and liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date. The differences arising from translation are recognised in the statement of comprehensive income except for translation differences on non-monetary items such as equity classified as available for-sale securities are included in the investment revaluation reserve in equity.

(p) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the period of the lease.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2 Summary of significant accounting policies (Continued)

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

(r) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash and balances with banks and other financial institutions.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party controls, jointly controls or has significant influence over the Group; is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; is an associate or a joint venture of the Group or parent reporting group; is a key management personnel of the Group or parents, or where the Group and the party are subject to common control. Related parties may be individuals or entities.

(t) Fiduciary activities

The Group commonly acts in a fiduciary capacity that results in the holding or placing of assets on behalf of individuals and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

3 Critical accounting estimates and assumptions

The Group makes certain assumptions and estimates in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Held-to-maturity securities

The Group follows the guidance of HKAS 39 on classifying on-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would then be measured at fair value instead of amortized cost.

(b) Impairment assessment on investments in debt securities included in the available-for-sale and held-to-maturity

The Group has conducted assessment of its investments in debt securities included in the available-for-sale ("AFS"), and held-to-maturity ("HTM") categories as of the end of the year and up to the date of the approval of the consolidated financial statements of the Group. Assessment for any impairment, on individual basis, is determined based on judgement and judgement is made with reference to the financial strength and credit rating of each issuer, and industry development and market conditions. The Group has concluded that there are no objective or specific indications that any of its AFS, and HTM securities is impaired.

(c) Income taxes

When applying the relevant tax rules, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. In these circumstances, judgement is involved in determining the group-wide provision for income taxes. The Group recognizes liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Interest income

	Six months ended	
	30/06/2017 HK\$'000	30/06/2016 HK\$'000
Interest income on investments	1,253	1,384
Interest income on placement with banks	1,266	837
Interest income from advances to customers	195	323
	<u>2,714</u>	<u>2,544</u>

BPI INTERNATIONAL FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)****5 Other operating income**

	Six months ended	
	30/06/2017 HK\$'000	30/06/2016 HK\$'000
Service fees and commission income	8,071	7,019
Foreign exchange gains from customer transactions	7,542	5,844
Net gain from dealing in securities	1,808	4,217
Net gain on redemption/disposal of available for sale securities	27	-
Other income	2	2
	<u>17,450</u>	<u>17,082</u>

6 Operating expenses

	Six months ended	
	30/06/2017 HK\$'000	30/06/2016 HK\$'000
Staff costs:		
- Wages and salaries	6,962	6,028
- Unutilized Annual Leaves	-	-
- Pension costs - defined contribution plans	225	159
- Other benefits and allowance	1,752	1,656
Rental of premises	3,274	3,165
Depreciation (Note 15)	838	659
Auditor's remuneration	557	636
Telecommunication and postage	442	486
Other operating expenses	2,833	2,170
	<u>16,883</u>	<u>14,959</u>

7 Income tax expense

Hong Kong profits tax has been calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

The amount of taxation charged to profit of loss represents:

	Six months ended	
	30/06/2017 HK\$'000	30/06/2016 HK\$'000
Current income tax		
- Hong Kong profits tax	587	701
Tax for the period	<u>587</u>	<u>701</u>

BPI INTERNATIONAL FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)****8 Cash and short-term funds**

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Cash in hand	832	335
Cash and balances with banks and other financial institutions	54,125	66,334
Placements with banks and other financial institutions maturing within one month	43,893	85,873
	<u>98,850</u>	<u>152,542</u>

9 Placements with banks and other financial institutions maturing between one and twelve months

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Placements with banks and other financial institutions	-	-
- maturing between 1 and 3 months	167,836	96,408
- maturing between 3 and 12 months	20,831	27,649
	<u>188,667</u>	<u>124,057</u>

10 Held-to-maturity securities

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Debt securities		
- Listed outside Hong Kong and issued by central governments and central banks	-	-
- Unlisted and issued by banks and other financial institutions	7,587	16,106
- Listed outside Hong Kong and issued by banks and other financial institutions	4,040	13,556
	<u>11,627</u>	<u>29,662</u>
Fair value of unlisted securities	7,592	16,103
Fair value of listed securities	4,120	13,620
	<u>11,712</u>	<u>29,723</u>

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

11 Advances and other accounts

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Advances to customers	14,837	17,986
Other accounts	7,238	6,620
	<u>22,075</u>	<u>24,606</u>

12 Available-for-sale securities

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
At fair value:		
Debt securities		
- Listed outside Hong Kong and issued by banks and other financial institutions	46,285	31,827
- Listed inside Hong Kong and issued by banks and other financial institutions	11,130	7,912
- Listed outside Hong Kong and issued by corporate entities	-	1,552
- Listed inside Hong Kong and issued by corporate entities	9,461	7,885
- Listed outside Hong Kong and issued by central government	41,556	37,681
- Unlisted and issued by banks and other financial institutions	11,574	6,877
	<u>120,006</u>	<u>93,734</u>

13 Associate

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 Dec 2016 HK\$'000
Unlisted shares, cost	-	1,137
Allowance for impairment loss	-	(1,137)
	<u>-</u>	<u>-</u>

Particulars of the associate are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Percentage of issued ordinary share capital held</u>	<u>Principal activity</u>
AF Capital Sdn Bhd	Malaysia	49	Dormant

Investment in AF Capital Sdn Bhd was written off and with board approval last 29 May 2017.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

14 Subsidiaries

The following is a list of the principle subsidiaries at 30 June 2017:

<u>Name</u>	Proportion of ordinary shares directly held by the company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)	Proportion of preference shares held by the group (%)
BPI Nominees Limited	50.00%	100.00%	-	-
BPI Remittance Centre (HK) Limited	99.99%	-	-	-

Begara Company Limited and Hilldale Company Limited have been deregistered on the date of 13 January 2017 and BPI Nominees Limited has been deregistered on the date of 15 September 2017.

15 Fixed assets

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st January 2016			
Cost	2,677	1,635	4,312
Accumulated depreciation	(1,373)	(917)	(2,290)
Net book amount	<u>1,304</u>	<u>718</u>	<u>2,022</u>
Year ended 31st December 2016			
Opening net book amount	1,304	718	2,022
Additions	39	80	119
Written off	-	(1)	(1)
Depreciation charge	(895)	(435)	(1,330)
Closing net book amount	<u>448</u>	<u>362</u>	<u>810</u>
At 31st December 2016 and 1st January 2017			
Cost	2,716	1,691	4,407
Accumulated depreciation	(2,268)	(1,329)	(3,597)
Net book amount	<u>448</u>	<u>362</u>	<u>810</u>
Period ended 30th June 2017			
Opening net book amount	448	362	810
Additions	99	229	328
Depreciation charge	(547)	(290)	(837)
Closing net book amount	<u>-</u>	<u>301</u>	<u>301</u>
At 30th June 2017			
Cost	2,815	1,861	4,676
Accumulated depreciation	(2,815)	(1,560)	(4,375)
Net book amount	<u>-</u>	<u>301</u>	<u>301</u>

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

16 Off-balance sheet exposures

Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment as at 30th June 2017.

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	7,138	34,577
	<u>7,138</u>	<u>34,577</u>

17 Loans to officers

There is no loan made to officers as pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32).

18 Related party transactions

Following transaction was carried out with related parties:

(a) Transaction amount during the period with related parties:

	For the period 2017 HK\$'000 (Unaudited)	For the year 2016 HK\$'000
Interest income generated from the cash and placement with the ultimate holding company	25	1
System services charge from ultimate holding company	671	673
	<u>696</u>	<u>674</u>

System service charge represents charges for usage of ultimate holding company's remittance system. Charges are calculated based on a fixed fee per remittance transaction executed through the system.

(b) Period /Year-end balances with related parties:

		30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000
Bank balance held in ultimate holding company	(a)	14,249	4,035
Other receivable with ultimate holding company		-	-
Accounts payable to ultimate holding company	(b)	118	996
Other payable to ultimate holding company	(c)	3	129
		<u>14,369</u>	<u>5,160</u>

BPI INTERNATIONAL FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)****18 Related party transactions (Continued)**

(b) Period /Year-end balances with related parties (Continued)

(a) The bank balance held with the ultimate holding company which is a bank is in the Republic of the Philippines. The bank balance are secured in nature and interest-bearing at commercial rate.

(b) The accounts payables to ultimate holding company arise mainly from remittance transaction for customer. The payables are repayable within the next working day in the Philippines.

(c) The other payables to ultimate holding company represents fees payable for usage of remittance system owned by the ultimate holding company. The payables are repayable on demand.

(c) Key management compensation:

Key management includes director, heads of department. The compensation paid or payable to key management for employee services is shown below:

	For the period 2017 HK\$'000 (Unaudited)	For the year 2016 HK\$'000
Salaries and other short-term employee benefits	3,910	8,115

19 Lease commitments

At 30th June 2017, the future aggregate minimum lease payment under non-cancellable operating leases in respect of the premises is as follows:

	For the period 2017 HK\$'000	For the year 2016 HK\$'000
No later than one year	11,035	11,649
Later than one year and no later than five years	10,053	14,977
	21,088	26,626

20 Immediate and ultimate holding company

The immediate and ultimate holding company is Bank of the Philippine Islands, a bank incorporated and listed in the Republic of the Philippines.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

21 Balance Sheet and reserve movement of the Company

Balance sheet of the Company

	30/06/2017 HK\$'000 (Unaudited)	31/12/2016 HK\$'000 (Audited)
Assets		
Cash and short-term funds	68,610	124,672
Placements with banks and other financial institutions maturing between one and twelve months	188,666	124,057
Held-to-maturity securities	11,627	29,662
Advances and other accounts	21,237	23,757
Current tax assets	828	828
Available-for-sale securities	120,006	93,734
Investment in associate	-	-
Investment in subsidiaries	500	500
Fixed assets	278	774
Deferred tax assets	201	201
Total assets	<u>411,953</u>	<u>398,185</u>
Liabilities		
Deposits from customers	253,592	236,612
Other payables	1,325	3,434
Tax payable	-	-
Total liabilities	<u>254,917</u>	<u>240,046</u>
Equity		
Share capital	75,000	75,000
Retained earnings	81,865	83,028
Investment revaluation reserve	171	111
	<u>157,036</u>	<u>158,139</u>
Total equity and liabilities	<u>411,953</u>	<u>398,185</u>


Natividad N. Alejo


Archie Lin

BPI INTERNATIONAL FINANCE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)****21 Balance Sheet and reserve movement of the Company (Continued)****Reserve movement of the Company**

	Retained earnings ¹ HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
At 1 January 2016	85,603	(199)	85,404
Profit for the year	(2,575)	-	(2,575)
Change in fair value of available-for-sale securities, net of tax	-	310	310
At 31st December 2016	83,028	111	83,139
At 1 January 2017	83,028	111	83,139
Profit(loss) for the period	(1,163)	-	(1,163)
Change in fair value of available-for-sale securities, net of tax	-	60	60
At 30th June 2017	81,865	171	82,036

¹As at 30th June 2017, an amount of HK\$1,691,649 (2016: HK\$1,691,649) was earmarked from retained earnings as a regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve, if any, are made directly through retained earnings following consultation with the Hong Kong Monetary Authority.

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

The following information is disclosed as part of the accompanying information to the financial statement.

1 Liquidity Position

	At 30th June 2017	At 31st December 2016
Average liquidity maintenance ratio	731.04%	643.92%

The liquidity maintenance ratio (“LMR”) is calculated in accordance with the Banking (Liquidity) Rules effective from 1st January 2015. The average liquidity maintenance ratio is calculated based on the average value of the LMR for each calendar month as reported in the liquidity position return submitted to HKMA.

Liquidity risk management process

The liquidity condition of the Group is monitored on a daily basis by the Company’s chief executive. The balance between liquidity and profitability is carefully considered but the former is given higher priority in case of conflicts in meeting targets or regulatory requirements.

2 Other than functional currency concentrations

	EUR HK\$’000	US\$ HK\$’000	GBP HK\$’000	AUD HK\$’000	Total HK\$’000
Equivalent in Hong Kong dollars 30th June 2017					
Spot assets	447	339,954	4	30,707	371,112
Spot liabilities	(422)	(222,248)	-	(30,708)	(253,378)
Net long position	25	117,706	4	(1)	117,734
Net structural position		-			-
31st December 2016					
Spot assets	405	313,242	51	32,838	346,536
Spot liabilities	(384)	(205,240)	-	(32,788)	(238,412)
Net long position	21	108,002	51	50	108,124
Net structural position		-			-

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

3 Non-Bank Mainland China Exposures

The analysis of mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the Hong Kong Monetary Authority (“HKMA”) under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland activities. This includes the mainland activities exposures extended by the Bank and its mainland banking subsidiary.

30/06/2017	On-balance sheet exposure	Off-balance sheet exposure	Total exposure
1. Central government, central government-owned entities and their subsidiaries and JVs	6,301	-	6,301
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
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	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
	<u>6,301</u>		<u>6,301</u>
Total assets after provision	410,283		
On-balance sheet exposures as percentage of total assets	<u>1.54%</u>		
31/12/2016	On-balance sheet exposure	Off-balance sheet exposure	Total exposure
1. Central government, central government-owned entities and their subsidiaries and JVs	6,269	-	6,269
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
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	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
	<u>6,269</u>		<u>6,269</u>
Total assets after provision	396,515		
On-balance sheet exposures as percentage of total assets	<u>1.58%</u>		

BPI INTERNATIONAL FINANCE LIMITED**UNAUDITED SUPPLEMENTARY INFORMATION****4 Capital structure and adequacy**

The calculation of the capital adequacy ratio as at 30th June 2017 is based on the Banking (Capital Rules) ("BCR"). The capital adequacy ratio as at 30th June 2017 represents the consolidated ratio of the Company and BPI Remittance Centre (HK) Limited computed in accordance with section 3C(1) of the BCR.

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of the consolidation respectively as at 30th June 2017.

	Consolidated balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at 30th June 2017 HK\$'000	As at 30th June 2017 HK\$'000
Assets		
Cash and short-term funds	98,850	98,850
Placements with banks and other financial institutions maturing between one and twelve months	188,667	188,667
Held-to-maturity securities	11,627	11,627
Advances and other accounts	22,075	22,075
Current tax assets	-	-
Available-for-sale securities	120,006	120,006
Investment in associate	-	-
Fixed assets	301	301
Deferred tax assets	202	202
Total assets	441,728	441,728
Liabilities		
Deposits from customers	253,592	253,592
Other payables	2,474	2,474
Tax payable	343	343
Total liabilities	256,409	256,409
Shareholders' Equity		
Equity attributable to shareholders	185,319	185,319
Non-controlling interests	-	-
Total shareholders' equity	185,319	185,319
Total liabilities and shareholders' equity	441,728	441,728

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The table below shows the reconciliation of the capital components from balance sheet based on regulatory scope of the consolidation to the Capital Disclosures Template.

	Consolidated balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross reference to Definition of Capital Components
	As at 30th June 2017 HK\$'000	As at 30th June 2017 HK\$'000	
Assets			
Cash and short-term funds	98,850	98,850	
Placements with banks and other financial institutions maturing between one and twelve months	188,667	188,667	
Held-to-maturity securities	11,627	11,627	
Advances and other accounts	22,075	22,075	
Current tax assets	-	-	
Available-for-sale securities	120,006	120,006	
Investment in associate	-	-	
Fixed assets	301	301	
Deferred tax assets	202	202	
<i>of which: deferred tax assets</i>	<i>202</i>	<i>202</i>	(1)
Total assets	441,728	441,728	
Liabilities			
Time deposits from customers	253,592	253,592	
Other payables	2,474	2,474	
Tax payable	343	343	
Deferred tax liabilities	-	-	
Total liabilities	256,409	256,409	
Shareholders' Equity			
Equity attributable to shareholders	185,319	185,319	
<i>of which: paid-in share capital</i>	<i>75,000</i>	<i>75,000</i>	(2)
<i>retained earnings</i>	<i>110,148</i>	<i>110,148</i>	(3)
<i>of which: Regulatory reserve for general banking risk</i>	<i>1,692</i>	<i>1,692</i>	(4)
<i>disclosed reserve</i>	<i>171</i>	<i>171</i>	(5)
Non-controlling interests	-	-	
Total shareholders' equity	185,319	185,319	
Total liabilities and shareholders' equity	441,728	441,728	

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2017 is shown as below:

	Component of regulatory capital reported by bank	Cross- referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves		
1 Directly issued qualifying CET1 capital instruments plus any related share premium	75,000	(2)
2 Retained earnings	110,148	(3)
3 Disclosed reserves	171	(5)
4 <i>Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)</i>	Not applicable	
5 Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6 CET1 capital before regulatory deductions	185,319	
CET1 capital: regulatory deductions		
7 Valuation adjustments	-	
8 Goodwill (net of associated deferred tax liability)	-	
9 Other intangible assets (net of associated deferred tax liability)	-	
10 Deferred tax assets net of deferred tax liabilities	202	(1)
11 Cash flow hedge reserve	-	
12 Excess of total EL amount over total eligible provisions under the IRB approach	-	
13 Gain-on-sale arising from securitization transactions	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16 Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17 Reciprocal cross-holdings in CET1 capital instruments	-	
18 Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19 Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20 Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22 Amount exceeding the 15% threshold	Not applicable	
23 of which: significant investments in the common stock of financial sector entities	Not applicable	
24 of which: mortgage servicing rights	Not applicable	
25 of which: deferred tax assets arising from temporary differences	Not applicable	

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2017 is shown as below (continued):

	Component of regulatory capital reported by bank	Cross- referenced to balance sheet under regulatory scope of consolidation
CET1 capital: regulatory deductions (Continued)		
26	National specific regulatory adjustments applied to CET1 capital	1,692
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-
26b	Regulatory reserve for general banking risks	1,692
26c	Securitization exposures specified in a notice given by the Monetary Authority	(4)
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-
26e	Capital shortfall of regulated non-bank subsidiaries	-
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-
28	Total regulatory deductions to CET1 capital	1,894
29	CET1 capital	183,425
AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	<i>Capital instruments subject to phase out arrangements from AT1 capital</i>	-
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements</i>	-
36	AT1 capital before regulatory deductions	-
37	Investments in own AT1 capital instruments	-
38	Reciprocal cross-holdings in AT1 capital instruments	-
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-
41	National specific regulatory adjustments applied to AT1 capital	-
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2017 is shown as below (continued):

	Component of regulatory capital reported by bank	Cross- referenced to balance sheet under regulatory scope of consolidation
AT1 capital: regulatory deductions		
Tier 2 capital: instruments and provision		
43 Total regulatory deductions to AT1 capital	-	
44 AT1 capital	-	
45 Tier 1 capital (Tier 1 = CET1 + AT1)	183,425	
46 Qualifying Tier 2 capital instruments plus any related share premium	-	
47 <i>Capital instruments subject to phase out arrangements from Tier 2 capital</i>	-	
48 Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49 <i>of which: capital instruments issued by subsidiaries subject to phase out arrangements</i>	-	
50 Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,692	
51 Tier 2 capital before regulatory deductions	1,537	
Tier 2 capital: regulatory deductions		
52 Investments in own Tier 2 capital instruments	-	
53 Reciprocal cross-holdings in Tier 2 capital instruments	-	
54 Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
55 Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
56 National specific regulatory adjustments applied to Tier 2 capital	-	
56a Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57 Total regulatory deductions to Tier 2 capital	-	
58 Tier 2 capital	1,537	
59 Total capital (Total capital = Tier 1 + Tier 2)	184,962	
60 Total risk weighted assets	187,171	

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2017 is shown as below (continued):

	Component of regulatory capital reported by bank	Cross- referenced to balance sheet under regulatory scope of consolidation
Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	98.00%
62	Tier 1 capital ratio	98.00%
63	Total capital ratio	98.82%
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	9.18%
65	<i>of which: capital conservation buffer requirement</i>	1.25%
66	<i>of which: bank specific countercyclical buffer requirement</i>	0.19%
67	<i>of which: G-SIB or D-SIB buffer requirement</i>	0.00%
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	88.82%
National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable
70	National Tier 1 minimum ratio	Not applicable
71	National Total capital minimum ratio	Not applicable
Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable
74	Mortgage servicing rights (net of related tax liability)	Not applicable
75	Deferred tax assets arising from temporary differences (net of related tax liability)	202
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	Not applicable
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	Not applicable
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	Not applicable
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	Not applicable
80	<i>Current cap on CET1 capital instruments subject to phase out arrangements</i>	Not applicable

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

4 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2017 is shown as below (continued):

	Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase out arrangements</i>	Not applicable
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	Not applicable
84	<i>Current cap on Tier 2 capital instruments subject to phase out arrangements</i>	Not applicable
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	Not applicable

Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
10	Deferred tax assets net of deferred tax liabilities	202	-

Explanation

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.

Remark:

The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

BPI INTERNATIONAL FINANCE LIMITED**UNAUDITED SUPPLEMENTARY INFORMATION****4 Capital structure and adequacy (Continued)**

	As at 30th June 2017	As at 31st December 2016
Total capital ratio	<u>98.82%</u>	<u>98.99%</u>
Tier 1 capital ratio	<u>98.00%</u>	<u>98.15%</u>

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratios as at 30th June and reported to the Hong Kong Monetary Authority is analysed as follows:

	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
Core Capital:		
Paid up ordinary share capital	75,000	75,000
Reserves	108,337	105,527
Statement of comprehensive income	1,811	2,810
Reserve on revaluation of AFS securities	171	111
Net deferred tax assets	(202)	(202)
Regulatory reserve	(1,692)	(1,692)
Total Tier 1 capital	<u>183,425</u>	<u>181,554</u>
Supplementary capital:		
Reserve on revaluation of AFS securities	-	-
Regulatory reserve	1,537	1,552
Total supplementary capital	<u>1,537</u>	<u>1,552</u>
Total capital base	<u>184,962</u>	<u>183,106</u>

BPI INTERNATIONAL FINANCE LIMITED**UNAUDITED SUPPLEMENTARY INFORMATION****4 Capital structure and adequacy (Continued)**

The main Features Template as at 30th June 2017 is shown below:

1	Issuer	BPI International Finance Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N.A.
3	Governing law(s) of the instrument	Hong Kong
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules*	N.A.
5	Post-transitional Basel III rules ⁺	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$75 Million
9	Par value of instrument	N.A.
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16 August 1974
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N.A.
16	Subsequent call dates, if applicable	N.A.
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N.A.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N.A.
25	If convertible, fully or partially	N.A.
26	If convertible, conversion rate	N.A.
27	If convertible, mandatory or optional conversion	N.A.
28	If convertible, specify instrument type convertible into	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N.A.
32	If write-down, full or partial	N.A.
33	If write-down, permanent or temporary	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N.A.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N.A.

Footnote:

- # Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules
- + Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules
- * Include solo-consolidated
- N.A. Not applicable

BPI INTERNATIONAL FINANCE LIMITED**UNAUDITED SUPPLEMENTARY INFORMATION****5 Leverage Ratio**

The leverage ratio was introduced into the Basel III framework as a non-risk-based backstop limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and management errors. The ratio is a volume-based measure calculated as Basel III tier 1 capital divided by total on-and off-balance sheet exposure. Basel III provides for a transitional period for the introduction of this ratio, comprising a supervisory monitoring period that started in 2011 and a parallel run period from January 2013 to January 2017. The parallel run will be used to assess whether the proposed minimum ratio of 3% is appropriate, with a view to migrating to a Pillar 1 requirement from 1 January 2018.

The leverage summary comparison table of the Group as at 30th June 2017 and 31st December 2016 are shown as below:

	<u>Leverage ratio framework</u>	
	At 30th June 2017 HK\$'000	At 31st December 2016 HK\$'000
1. Total consolidated assets as per published financial statements	442,577	426,441
2. Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3. Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4. Adjustment for derivative financial instruments	-	-
5. Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6. Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	714	3,458
7. Other adjustments	-	-
8. Leverage ratio exposure	443,291	429,899

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

5 Leverage Ratio (Continued)

The leverage ratio common disclosure template of the Group as at 30th June 2017 and 31st December 2016 are shown as below:

	<u>Leverage ratio framework</u>	
	At 30th June 2017 HK\$'000	At 31st December 2016 HK\$'000
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	442,577	426,441
2. (Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3. Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	442,577	426,441
Derivative exposures		
4. Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-	-
5. Add-on amounts for PFE associated with all derivatives transactions	-	-
6. Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7. (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8. (Exempted CCP leg of client-cleared trade exposures)	-	-
9. Adjusted effective notional amount of written credit derivatives	-	-
10. (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11. Total derivative exposures (sum of lines 4 to 10)	-	-
Securities financing transactions exposures		
12. Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13. (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14. CCR exposure for SET assets	-	-
15. Agent transaction exposures	-	-
16. Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other off-balance sheet exposures		
17. Off-balance sheet exposure at gross notional amount	7,138	34,577
18. (Adjustments for conversion to credit equivalent amounts)	(6,424)	(31,119)
19. Off-balance sheet items (sum of lines 17 and 18)	714	3,458
Capital and total exposures		
20. Tier 1 capital	183,425	181,554
21. Total exposures (sum of lines 3, 11, 16 and 19)	443,291	429,899
Leverage ratio		
22. Basel III leverage ratio	41.38%	42.23%

BPI INTERNATIONAL FINANCE LIMITED**UNAUDITED SUPPLEMENTARY INFORMATION****6 Segmental information****(i) By geographical areas**

Information has been classified according to the location of the principal operations of the Company. All of the Company's principal operations are conducted in Hong Kong.

(ii) Advances to customers

Gross advances to customers by industry sectors

	At 30th June 2017	At 31st December 2016
	HK\$'000	HK\$'000
Loans for use in Hong Kong - Individuals – others		-
Loans for use outside Hong Kong	14,837	17,986
	<u>14,837</u>	<u>17,986</u>

Gross advances to customers by geographical area

	At 30th June 2017	At 31st December 2016
	HK\$'000	HK\$'000
Residential status of customers:		
The Philippines	14,837	17,986
	<u>14,837</u>	<u>17,986</u>

The above gross advances only include gross advances to customers.

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

6 Segmental information (Continued)

(iii) International claims

International claims are on-balance sheet exposure 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. The table shows claims on individual countries and territories or areas, after recognized risk transfer, amounting to not less than 10% of the group's total international claims.

At 30th June 2017

	Banks	Official Sector	Non-Bank Private Sector Of which: Non-bank financial institution	Of which: Non- financial private sector	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1. Developed Countries						
of which Australia	5,000	-	-	-	-	5,000
of which United Kingdom	16,000	-	-	6,000	-	22,000
of which United States	29,000	27,000	-	-	-	56,000
2. Offshore Centers						
of which Cayman Island	-	-	-	2,000	-	2,000
of which Singapore	4,000	-	-	-	-	4,000
of which Hong Kong	223,000	-	-	2,000	-	225,000
3. Developing Africa and Middle East						
of which United Arab Emirates	8,000	-	-	-	-	8,000
4. Developing Asia and Pacific						
of which Philippines	8,000	-	-	15,000	-	23,000
of which Indonesia	-	14,000	-	-	-	14,000
of which South Korea	-	-	11,000	-	-	11,000

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

6 Segmental information (Continued)

(iii) International claims (Continued)

At 31 December 2016

	Banks	Official Sector	Non-Bank Private Sector		Others	Total
	HK\$'000	HK\$'000	Of which: Non-bank financial institution HK\$'000	Of which: Non- financial private sector HK\$'000	HK\$'000	HK\$'000
As at 31st December 2016						
1. Developed Countries						
of which Australia	8,000	-	-	-	-	8,000
Of which United Kingdom	30,000	-	-	6,000	-	36,000
of which United States	15,000	23,000	-	-	-	38,000
of which Japan	4,000	-	-	-	-	4,000
2. Offshore Centers						
of which Cayman Island	-	-	-	2,000	-	2,000
of which Singapore	4,000	-	-	-	-	4,000
of which Hong Kong	231,000	-	-	2,000	-	233,000
3. Developing Africa and Middle East						
of United Arab Emirates	2,000	-	-	-	-	2,000
4. Developing Asia and Pacific						
of which Philippines	18,000	-	-	18,000	-	36,000
of which Indonesia	-	15,000	-	-	-	15,000
of which South Korea	-	-	12,000	-	-	12,000

7 Overdue and rescheduled loans

There were no overdue and rescheduled loans and repossessed assets as at 30th June 2017 (2016: Nil).

8 Countercyclical Capital Buffer Ratio

The countercyclical capital buffer (“CCyB”) ratio is calculated according to the countercyclical capital buffer report submitted to the Hong Kong Monetary Authority (“HKMA”). The standard disclosure on CCyB ratio is effective since 31 March 2016.

The Group countercyclical capital buffer ratio is computed as the aggregate risk-weighted amount (“RWA”) of geographically allocated private sector credit exposures (to the extent allocated to jurisdictions on the “ultimate risk” basis) over the sum of RWA for each geographical allocated private sector credit exposures multiplied by its appropriate JCCyB ratio.

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

8 Countercyclical Capital Buffer Ratio (Continued)

Geographical breakdown of risk-weighted amounts in relation to private sector credit exposures

As 30 June 2017

	a	b	c	d
Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI HK\$'000	CCyB ratio of AI	CCyB amount of AI HK\$'000
1 Hong Kong	1.25%	3,161		
2 China	0.000%	6,301		
3 Philippines	0.000%	11,135		
TOTAL		<u>20,597</u>	<u>0.194%</u>	<u>40</u>

Geographical breakdown of risk-weighted amounts in relation to private sector credit exposures

As 31 December 2016

	a	b	c	d
Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI HK\$'000	CCyB ratio of AI	CCyB amount of AI HK\$'000
1 Hong Kong	0.625%	3,169		
2 China	0.000%	6,269		
3 Philippines	0.000%	13,753		
TOTAL		<u>23,191</u>	<u>0.085%</u>	<u>20</u>

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UNAUDITED SUPPLEMENTARY INFORMATION

9 OV1: Overview of Risk-Weighted Amount (RWAs)

The following table provides an overview of the capital requirement in terms of detailed breakdown of RWAs for credit risk, market risk and operational risk. The minimum capital requirements are calculated as 8% of the risk weighted assets as of the reporting date.

	RWAs		Minimum Capital Requirements
	30 Jun 2017	31 Mar 2017	30 June 2017
	HK\$'000	HK\$'000	HK\$'000
1 Credit risk for non-securitisation exposures	122,983	121,753	9,839
2 - Of which STC approach	-	-	-
2a - Of which BSC approach	122,983	121,753	9,839
3 - Of which IRB approach	-	-	-
4 Counterparty credit risk	-	-	-
5 - Of which SA-CCR	-	-	-
5a - Of which CEM	-	-	-
6 - Of which IMM (CCR) approach	-	-	-
7 Equity positions in the banking book under the market-based approach	-	-	-
8 CIS exposures – LTA	-	-	-
9 CIS exposures – MBA	-	-	-
10 CIS exposures – FBA	-	-	-
11 Settlement risk	-	-	-
12 Securitization exposures in banking book	-	-	-
13 - Of which IRB(S) approach - ratings-based method	-	-	-
14 - Of which IRB(S) approach - supervisory formula method	-	-	-
15 - Of which STC(S) approach	-	-	-
16 Market risk	-	-	-
17 - Of which STM approach	-	-	-
18 - Of which IMM approach	-	-	-
19 Operational risk	64,188	62,525	5,135
20 - Of which BIA approach	64,188	62,525	5,135
21 - Of which STO approach	-	-	-
21a - Of which ASA approach	-	-	-
22 - Of which AMA approach	N/A	N/A	N/A
23 Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
24 Capital floor adjustment	-	-	-
24 Deduction to RWA	-	-	-
a			
24b Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
24c Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
25 Total	187,171	184,278	14,974

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

9 Overview of Risk-Weighted Amount (RWAs) (Continued)

During the 2nd quarter of 2017, the total Risk Weighted Assets (RWAs) increased by HKD 2.9M of which HKD 1M was due to additional placement made by the group and increased in RWAs for operational risk.

10 CR1: Credit Quality of Exposures

The following table provides an overview of the credit quality of on- and off-balance sheet exposures as at 30 June 2017:

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	-	14,837	-	14,837
2	Debt securities	-	131,633	-	131,633
3	Off-balance sheet exposures	-	7,138	-	7,138
4	Total	-	153,608	-	153,608

11 CR2: Changes in defaulted loans and debts securities

The group does not have any defaulted loans and debt securities for the reporting period.

12 CR3: Overview of recognized credit risk mitigation

The below table discloses the extent of credit risk exposures covered by different types of recognized CRM as at 30 June 2017.

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	-	14,837	14,837	-	-
2	Debt securities	131,633	-	-	-	-
3	Total	131,633	14,837	14,837	-	-
4	Of which defaulted	-	-	-	-	-

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

13 CR4: Credit risk exposures and effects of recognized credit risk mitigation (BSC approach)

The following table illustrates the effect of any recognized CRM on the calculation of capital requirements under BSC as at 30 June 2017:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	41,557	-	41,557	-	17,104	3.86%
2	PSE exposures	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	367,300	-	367,300	-	76,693	17.33%
5	Cash items	4,534	-	4,534	-	-	-
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	-	-
8	Other exposures	29,186	7,138	29,186	-	29,186	6.59%
9	Significant exposures to commercial entities	-	-	-	-	-	-
10	Total	442,577	7,138	442,577	-	122,983	27.78%

The group currently does not recognize collateral in calculating risk-weighted assets; hence, the exposures pre-CRM and post-CRM are equivalent.

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

14 CR5: Credit risk exposures by asset classes and by risk weights (BSC Approach)

The following table presents the breakdown of credit risk exposures under BSC by asset classes and by risk weights as at 30 June 2017.

	Risk Weight Exposure Class	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	-	27,170	-	-	-	14,387	-	-	41,557
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	363,260	-	-	4,040	-	-	367,300
5	Cash items	4,534	-	-	-	-	-	-	-	4,534
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	-	-	-	-	-
8	Other exposures	-	-	-	-	-	29,186	-	-	29,186
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	Total	4,534	27,170	363,260	-	-	47,613	-	-	442,577

15 CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The group has no derivative contracts and SFTs exposure for the reporting period.

16 CCR5: Composition of collateral for counterparty default risk exposures

The group has no collateral posted and recognized collateral received in the context of derivative contracts or SFTs.

17 CCR6: Credit-related derivative contracts

The group has no derivative contracts exposure for the reporting period.