

Follow-up to the hearing in the morning of 23 October 2010

**Information (including relevant documents and records, if any)
on the following issues**

1. According to Mr LAM Yim-nam, BOCHK has implemented a staff incentive scheme (銷售激勵計劃). Under the scheme, the incentive handed out to staff is related to the score earned by the staff in a balanced scorecard (平衡計分卡). As mentioned in paragraph 49.5 of W40(C), the staff incentive scheme (銷售激勵計劃) covered a variety of product categories.
 - (a) Please provide a copy of the balanced scorecard.
 - 1.1 The “balanced scorecard” is referring to the mechanism of the sales incentive scheme which was a collective scoring base approach to award staff sales performance across all product categories. Each staff would earn a certain score for every sales unit they made within each product category. There was no specific score target for each product category; instead staff incentive would be awarded to staff who met the overall score threshold that the staff earned across different product categories.
 - 1.2 Besides, specific scoring and weighting for each product category was designed to balance the staff award and the contribution to the bank as well as to align with the bank’s overall business direction. Since 2003, all product categories were given equal weighting except that the weighting for bond and insurance product were different in the year of 2007. Please refer to attachment 1 for the illustration of the scoring among different product categories for the sales incentive scheme from 2003 to 2007.
 - 1.3 Since 2008, the sales incentive scheme was enhanced with diversification requirement and changed from a collective scoring base approach to a collective revenue base approach. In addition, no weighting was applied to any product category.
 - (b) Please list all product categories that are covered by the staff incentive scheme (銷售激勵計劃). Were LB-related products included under any of these product categories? If yes, please specify. If no, the reasons.
 - 1.4 During the Relevant Period, the following product categories were covered by the staff incentive scheme: unit trust, structure notes, bonds, insurance,

credit cards, mortgages, personal loans and deposit (deposit was covered in the sales incentive scheme starting from the year of 2008). LB related products were grouped under structured notes.

- (c) Are all the product categories listed in (b) specified in the balanced scorecard? If not, which product categories are not specified in the balanced scorecard?

1.5 Yes.

- (d) In respect of each of the product categories in (b), what are the factors / criteria for determining the incentive handed out to staff under the staff incentive scheme (銷售激勵計劃)?

1.6 Generally, the incentive handed out to staff under the staff incentive scheme was determined by the achievement rate of the overall score that the staff earned across all products categories compared with the threshold as mentioned in paragraph 1.1 above. In addition, compliance performance could be an overriding factor that determined whether the incentive to a particular staff should be released or not. From 2003 to 2007, the incentive awarded to staff was also subject to the bank's business performance across different product categories.

- (e) Are all the factors / criteria in (d) indicated in the balanced scorecard? If not, which factors / criteria are not indicated in the balanced scorecard?

1.7 Yes, please refer to paragraphs 1.1 to 1.6 above.

Scoring for each product category 2003 to 2007

Attachment 1

Points by Products	2003	2004	2005	2006	2007
Funds (per \$X business volume)	A points				
Structured Notes (per \$X business volume)	B1 points				B2 points
Bonds (per \$X business volume)	C1 points				C2 points
General Insurance (per \$Y commission)	D1 points				D2 points
Life Insurance (per \$Y commission)	E1 points				E2 points
Credit Cards (per new card)	F1 points				F2 points
Cash Express Card (i.e. personal loan) (per new card)	G1 points				G2 points
Mortgage (per \$Z new loan amount)	H1 points	H2 points	H3 points	H4 points	