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**BANK OF COMMUNICATIONS CO., LTD.**

**HONG KONG BRANCH**

(Incorporated in the People's Republic of China)

**FINANCIAL INFORMATION  
DISCLOSURE STATEMENT**

**31 December 2018  
(Unaudited)**

Bank of Communications Co., Ltd. Hong Kong Branch

20 Pedder Street, Central, Hong Kong

[www.bankcomm.com.hk](http://www.bankcomm.com.hk)

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**FINANCIAL INFORMATION DISCLOSURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018  
(UNAUDITED)**

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The following disclosures contained all disclosures required by the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”).

## SECTION A – BRANCH INFORMATION (HONG KONG OFFICES ONLY)

### I. Profit and loss information

	<b>31 Dec 2018</b> <b>(12 months)</b> <b>HK\$'000</b>	31 Dec 2017 (12 months) HK\$'000	Variance %
Interest income	<b>13,640,056</b>	12,732,409	+7.13
Interest expense	<b>(9,431,709)</b>	(7,767,167)	-21.43
Net interest income	<b>4,208,347</b>	4,965,242	-15.24
Commission and fees income	<b>1,262,330</b>	1,723,353	-26.75
Commission and fees expenses	<b>(50,198)</b>	(89,624)	+43.99
Net commission and fees income	<b>1,212,132</b>	1,633,729	-25.81
Gains less losses arising from trading in foreign currencies	<b>346,120</b>	909,272	-61.93
Gains less losses on securities held for trading purposes	<b>31,110</b>	(4,161)	+847.66
Gains less losses from other trading activities	<b>145,222</b>	12,085	+1,101.67
Others	<b>268,065</b>	143,952	+86.22
Other operating gains less losses	<b>790,517</b>	1,061,148	-25.50
	<b>6,210,996</b>	7,660,119	-18.92
Operating expenses			
Staff and rental expenses	<b>(1,010,822)</b>	(1,720,702)	+41.26
Other operating expenses	<b>(378,459)</b>	(649,832)	+41.76
Write back / (charge) of impairment allowances for loans and receivables	<b>56,249</b>	(132,199)	+142.55
(Charge) / write back of other impairment allowances	<b>(15,820)</b>	31,104	-150.86
Gains less losses from revaluation of investment properties	<b>41,397</b>	48,520	-14.68
<b>Profit before taxation</b>	<b>4,903,541</b>	5,237,010	-6.37
Income tax expense	<b>(787,856)</b>	(838,037)	+5.99
<b>Profit after taxation</b>	<b>4,115,685</b>	4,398,973	-6.44

## II. Balance sheet information

	31 Dec 2018 HK\$'000	30 Jun 2018 HK\$'000	Variance %
<b>Assets</b>			
Cash and balances with banks	41,152,826	29,361,025	+40.16
Amount due from Exchange Fund repayable or callable within one month	965,042	580,877	+66.14
Placements with banks with residual maturity between one and twelve months	45,104,910	34,056,565	+32.44
Amount due from overseas offices	48,632,745	59,396,282	-18.12
Trade bills	21,585,225	22,532,450	-4.20
Certificates of deposit held	50,143,884	31,870,938	+57.33
Securities held for trading purposes	6,686,387	6,930,999	-3.53
Loans and receivables	146,089,314	187,747,513	-22.19
Investment securities	106,585,280	96,249,085	+10.74
Other investments	470,410	380,818	+23.53
Property, plant and equipment and investment properties	677,417	682,038	-0.68
<b>Total assets</b>	<b>468,093,440</b>	469,788,590	-0.36
<b>Liabilities</b>			
Amount due to Exchange Fund	40,000	–	+100.00
Deposits and balances from banks	61,917,851	55,367,534	+11.83
Deposits from customers			
– Demand deposits and current accounts	6,373,786	8,905,799	-28.43
– Saving deposits	30,106,073	32,565,975	-7.55
– Time, call and notice deposits	241,868,836	246,693,127	-1.96
Amount due to overseas offices	28,199,541	32,497,274	-13.22
Certificates of deposit issued	18,628,128	14,484,950	+28.60
Debt securities issued	45,727,151	46,322,612	-1.29
Other liabilities	35,145,475	32,867,180	+6.93
Provisions	86,599	84,139	+2.92
<b>Total liabilities</b>	<b>468,093,440</b>	469,788,590	-0.36

### III. Additional balance sheet information

#### (i) Loans and receivables

	<b>31 Dec 2018</b>	30 Jun 2018	Variance
	<b>HK\$'000</b>	HK\$'000	%
Loans and receivables			
Loans and advances to customers	<b>130,727,587</b>	168,709,372	-22.51
Loans and advances to banks	<b>3,526,296</b>	3,596,873	-1.96
Accrued interest and other accounts	<b>12,858,275</b>	16,335,246	-21.29
	<b>147,112,158</b>	188,641,491	-22.01
Less: Impairment allowances for impaired loans and receivables			
Stage 1 and Stage 2 provision for Expected Credit Loss ("ECL")			
– for loans and advances to customers	<b>(611,896)</b>	(631,003)	-3.03
– for loans and advances to banks	<b>(749)</b>	(1,295)	-42.16
– for accrued interest and other accounts	<b>(9,927)</b>	(17,058)	-41.80
Stage 3 provision for ECL			
– for loans and advances to customers	<b>(350,500)</b>	(196,534)	+78.34
– for accrued interest and other accounts	<b>(49,772)</b>	(48,088)	+3.50
	<b>(1,022,844)</b>	(893,978)	+14.41
	<b>146,089,314</b>	187,747,513	-22.19

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2018 and 30 Jun 2018.

#### (ii)(a) Impaired loans and advances

	<b>31 Dec 2018</b>	30 Jun 2018	Variance
	<b>HK\$'000</b>	HK\$'000	%
Gross impaired loans and advances to customers	<b>625,159</b>	470,220	+32.95
As percentage of total loans and advances to customers	<b>0.48</b>	0.28	+0.20
Stage 3 provision for ECL	<b>350,500</b>	196,534	+78.34

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis.

### III. Additional balance sheet information (Continued)

#### (ii)(b) Impaired loans and advances by geographical area

	<b>31 Dec 2018</b> HK\$'000	30 Jun 2018 HK\$'000	Variance %
Hong Kong	<b>216,367</b>	59,958	+260.86
People's Republic of China	<b>408,792</b>	410,262	-0.36
	<b>625,159</b>	470,220	+32.95

Impaired loans and advances to customers by geographical area are classified according to the location of counterparties after taking into account the transfer of risk. In general, risk transfer applies when the loans and advances are guaranteed by a party located in an area that is different from that of the counterparty.

#### (ii)(c) Market value of collateral related to impaired loans and advances to customers

	<b>31 Dec 2018</b> HK\$'000	30 Jun 2018 HK\$'000	Variance %
Market value of collateral related to impaired loans and advances to customers	<b>386,204</b>	400,211	-3.50

#### (iii) Trade bills

	<b>31 Dec 2018</b> HK\$'000	30 Jun 2018 HK\$'000	Variance %
Gross trade bills	<b>21,676,429</b>	22,634,442	-4.23
Less: Impairment allowances			
Stage 1 and Stage 2 provision for ECL	<b>(46,898)</b>	(52,431)	-10.55
Stage 3 provision for ECL	<b>(44,306)</b>	(49,561)	-10.60
	<b>(91,204)</b>	(101,992)	-10.58
	<b>21,585,225</b>	22,532,450	-4.20

#### (iv) Investment securities

	<b>31 Dec 2018</b> HK\$'000	30 Jun 2018 HK\$'000	Variance %
Gross investment securities	<b>106,587,254</b>	96,251,059	+10.74
Less: Impairment allowances			
Stage 1 and Stage 2 provision for ECL	<b>(1,974)</b>	(1,974)	-
Stage 3 provision for ECL	-	-	-
	<b>106,585,280</b>	96,249,085	+10.74

No impairment allowances for investment securities maintained at our head office as at 31 Dec 2018 and 30 Jun 2018.

### III. Additional balance sheet information (Continued)

(v)(a) Analysis of gross amount of loans and advances to customers classified into the following industry categories

	31 Dec 2018 HK\$'000	% of secured loans and advances	30 Jun 2018 HK\$'000	% of secured loans and advances	Variance %
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Property development	17,611,216	10.67	17,316,630	9.87	+1.70
– Property investment	4,743,365	95.69	4,289,002	98.77	+10.59
– Financial concerns	37,455,188	1.57	49,910,298	9.73	-24.95
– Stockbrokers	2,387,767	10.16	4,748,000	19.54	-49.71
– Wholesale and retail trade	2,501,383	24.90	3,400,016	17.02	-26.43
– Manufacturing	4,204,286	0.69	7,205,863	2.77	-41.65
– Transport and transport equipment	1,806,628	76.92	2,453,560	62.33	-26.37
– Recreational activities	–	–	988,460	100.00	-100.00
– Information technology	30,850	100.00	502,125	–	-93.86
– Others	19,279,888	35.02	22,264,162	28.20	-13.40
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	–	–	–	–	–
– Loans for the purchase of other residential properties	–	–	–	–	–
– Credit card advances	–	–	–	–	–
– Others	–	–	–	–	–
Sub-total	90,020,571		113,078,116		-20.39
Trade finance	2,144,675	14.53	3,795,338	2.98	-43.49
Loans and advances for use outside Hong Kong	38,562,341	29.27	51,835,918	23.19	-25.61
Total	130,727,587	21.16	168,709,372	19.82	-22.51



### III. Additional balance sheet information (Continued)

#### (v)(b) Gross loans and advances to customers by geographical area

	<b>31 Dec 2018</b>	30 Jun 2018	Variance
	<b>HK\$'000</b>	HK\$'000	%
Hong Kong	<b>99,243,119</b>	108,877,087	-8.85
People's Republic of China	<b>24,920,160</b>	52,218,463	-52.28
Other countries	<b>6,564,308</b>	7,613,822	-13.78
	<b>130,727,587</b>	168,709,372	-22.51

The gross amount of loans and advances to customers by countries or geographical segment is in accordance with the location of the counterparties after taking into account the transfer of risk. In general, a transfer of risk arises if the loans or advances of a customer are guaranteed by a party in a country which is different from that of the customer. Countries or geographical segment, constituting 10% or more of the Branch's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

#### (vi) International claims

The information on international claims are prepared in according to the location and types of the counterparties as defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures 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. Countries or geographical segments, constituting 10% or more of the Branch's total international claims after taking into account any recognized risk transfer, are disclosed below.

<b>Equivalent in millions of HK\$</b>	<b>Bank</b>	<b>Official Sector</b>	<b>Non-bank financial institutions</b>	<b>Non-financial private sector</b>	<b>Total</b>
As at 31 Dec 2018					
Developing Asia-Pacific	<b>179,397</b>	<b>11,060</b>	<b>9,764</b>	<b>23,385</b>	<b>223,606</b>
of which People's Republic of China	<b>174,775</b>	<b>10,312</b>	<b>9,764</b>	<b>22,812</b>	<b>217,663</b>
Offshore centres	<b>21,394</b>	<b>1,304</b>	<b>22,022</b>	<b>34,309</b>	<b>79,029</b>
of which Hong Kong	<b>20,737</b>	<b>1,304</b>	<b>19,646</b>	<b>32,721</b>	<b>74,408</b>
As at 30 Jun 2018					
Developing Asia-Pacific	154,714	12,976	14,022	29,063	210,775
of which People's Republic of China	153,216	12,484	14,022	27,994	207,716
Developed countries	20,954	9,339	8,047	583	38,923
Offshore centres	7,071	490	26,183	40,051	73,795
of which Hong Kong	6,533	490	24,126	37,308	68,457

### III. Additional balance sheet information (Continued)

#### (vii)(a) Overdue loans and advances to customers

	31 Dec 2018 HK\$'000	% of total loans and advances to customers	30 Jun 2018 HK\$'000	% of total loans and advances to customers
Gross loans and advances to customers that have been overdue for periods of:				
More than 3 months but not more than 6 months	–	–	–	–
More than 6 months but not more than 1 year	–	–	–	–
More than 1 year	<b>469,090</b>	<b>0.36</b>	470,220	0.28
	<b>469,090</b>	<b>0.36</b>	470,220	0.28

	31 Dec 2018 HK\$'000	30 Jun 2018 HK\$'000	Variance %
Market value of collateral held against the secured overdue loans and advances	<b>437,116</b>	407,811	+7.19
Secured overdue loans and advances	<b>386,204</b>	400,211	-3.50
Unsecured overdue loans and advances	<b>82,886</b>	70,009	+18.39
Stage 3 provision for ECL	<b>194,430</b>	196,534	-1.07
Overdue loans and advances to customers by geographical area			
Hong Kong	<b>60,298</b>	59,958	+0.57
People's Republic of China	<b>408,792</b>	410,262	-0.36
	<b>469,090</b>	470,220	-0.24

Overdue loans and advances to customers by geographical area are classified according to the location of counterparties after taking into account the transfer of risk. In general, risk transfer applies when the loans and advances are guaranteed by a party located in an area that is different from that of the counterparty.

There are no loans and advances to banks which are overdue for more than 3 months, nor are there any rescheduled loans and advances to banks.

### III. Additional balance sheet information (Continued)

#### (vii)(b) Overdue assets

	31 Dec 2018 HK\$'000	% of trade bills	30 Jun 2018 HK\$'000	% of trade bills
Gross trade bills that have been overdue for periods of:				
More than 3 months but not more than 6 months	–	–	–	–
More than 6 months but not more than 1 year	–	–	–	–
More than 1 year	<b>44,306</b>	<b>0.20</b>	49,561	0.22
	<b>44,306</b>	<b>0.20</b>	49,561	0.22

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2018 and 30 Jun 2018.

	31 Dec 2018 HK\$'000	30 Jun 2018 HK\$'000	Variance %
Secured overdue assets	–	–	–
Unsecured overdue assets	<b>44,306</b>	49,561	-10.60
Stage 3 provision for ECL	<b>44,306</b>	49,561	-10.60
Overdue assets by geographical area			
United States	<b>350</b>	351	-0.28
Hong Kong	<b>11,287</b>	11,304	-0.15
Singapore	<b>32,669</b>	37,906	-13.82
	<b>44,306</b>	49,561	-10.60

#### (vii)(c) Rescheduled loans

There are no rescheduled loans to customers net of overdue more than 3 months as at 31 Dec 2018 and 30 Jun 2018.

#### (vii)(d) Repossessed assets

There are no repossessed assets held as at 31 Dec 2018 and 30 Jun 2018.

### III. Additional balance sheet information (Continued)

#### (viii) Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Mainland Activities.

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
As at 31 Dec 2018			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	74,527,259	15,893,099	90,420,358
2. Local governments, local government-owned entities and their subsidiaries and JVs	7,373,203	340,133	7,713,336
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	15,615,546	1,956,463	17,572,009
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	–	352,189	352,189
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	722,456	–	722,456
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
<b>Total</b>	<b>98,238,464</b>	<b>18,541,884</b>	<b>116,780,348</b>
Total assets after provisions	<b>468,006,841</b>		
On-balance sheet exposures as percentage of total assets	<b>20.99%</b>		

### III. Additional balance sheet information (Continued)

#### (viii) Non-bank Mainland exposures (Continued)

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
As at 30 Jun 2018			
1. Central government, central government-owned entities and their subsidiaries and JVs	87,302,665	1,389,681	88,692,346
2. Local governments, local government-owned entities and their subsidiaries and JVs	9,271,227	409,324	9,680,551
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	24,177,687	1,232,483	25,410,170
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	–	275,644	275,644
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,172,135	1,278,267	3,450,402
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	122,923,714	4,585,399	127,509,113
Total assets after provisions	469,704,451		
On-balance sheet exposures as percentage of total assets	26.17%		

### III. Additional balance sheet information (Continued)

#### (ix) Foreign currency exposures

The information concerning the foreign currency exposures of the Branch arising from trading and non-trading positions are disclosed below:

Equivalent in millions of HK\$	Chinese Renminbi	US Dollars	Total
As at 31 Dec 2018			
Spot assets	49,867	244,983	294,850
Spot liabilities	(46,542)	(243,271)	(289,813)
Forward purchases	200,731	305,792	506,523
Forward sales	(199,814)	(307,787)	(507,601)
Net options position*	102	(134)	(32)
Net long (short) position	4,344	(417)	3,927
As at 30 Jun 2018			
Spot assets	53,447	228,615	282,062
Spot liabilities	(44,995)	(215,627)	(260,622)
Forward purchases	94,309	182,325	276,634
Forward sales	(99,717)	(196,079)	(295,796)
Net options position*	2,001	(2,073)	(72)
Net long (short) position	5,045	(2,839)	2,206

\* Delta equivalent approach is adopted.

Except for the above foreign currencies, we do not disclose other foreign currency exposures arising from trading and non-trading positions, which constitutes less than 10% of the total net position in all foreign currencies as above. There is no net structural position in any foreign currencies.

## IV. Off-balance sheet exposures

### (i) Contingent liabilities and commitments

	<b>31 Dec 2018</b>	30 Jun 2018	
	<b>HK\$'000</b>	HK\$'000	
	<b>Contract amount</b>	Contract amount	Variance %
Direct credit substitutes	<b>6,002,898</b>	5,819,853	+3.15
Trade related contingencies	<b>9,120,194</b>	7,039,455	+29.56
Others commitments	<b>58,676,710</b>	38,044,939	+54.23
Others	<b>704,651</b>	912,561	-22.78
	<b>74,504,453</b>	51,816,808	+43.78

### (ii) Derivatives

	<b>Contract amount</b>	<b>Fair value Assets</b>	<b>Fair value Liabilities</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
As at 31 Dec 2018			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	<b>615,148,320</b>	<b>4,042,413</b>	<b>4,168,642</b>
Interest rate contracts	<b>217,282,033</b>	<b>2,617,411</b>	<b>2,110,197</b>
Others	-	-	-
	<b>832,430,353</b>	<b>6,659,824</b>	<b>6,278,839</b>
As at 30 Jun 2018			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	396,997,507	4,369,281	3,540,527
Interest rate contracts	214,228,648	3,018,803	2,098,940
Others	-	-	-
	611,226,155	7,388,084	5,639,467

The fair values of the derivatives do not take into account the effect of bilateral netting arrangements.

## V. Liquidity information

	31 Dec 2018	31 Dec 2017
Average liquidity coverage ratio ("LCR")		
– First quarter	<b>195.70%</b>	131.96%
– Second quarter	<b>165.96%</b>	144.54%
– Third quarter	<b>132.31%</b>	152.21%
– Fourth quarter	<b>130.27%</b>	163.05%
Average liquidity coverage ratio for the period	<b>155.51%</b>	148.02%
Net stable funding ratio ("NSFR")		
– First quarter end	<b>105.63%</b>	N/A
– Second quarter end	<b>105.40%</b>	N/A
– Third quarter end	<b>110.61%</b>	N/A
– Fourth quarter end	<b>108.08%</b>	N/A

The Branch's LCR and NSFR are above the regulatory requirement for the period.

The Branch's average LCR for the period is 155.51%. It is well above the regulatory requirement of 90%. The Branch's NSFR for the quarter ends of year 2018 are 105.63%, 105.40%, 110.61% and 108.08% respectively. It is above the regulatory requirement of 100%.

In the second and third quarters of year 2018, the Branch's LCR declined as a result of a decrease in HQLA portfolio. The LCR remains stable in the fourth quarter.

In the third and fourth quarter ends of year 2018, the Branch's NSFR increased due to decrease in loans' RSF consumption. The fourth quarter end NSFR is lower than third quarter end as a result of decrease in wholesale funding.

Level I HQLA is the major component of the Branch's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The branch also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. Customer deposit is the major component of the Branch's ASF source.

LCR net cash outflow and NSFR RSF arising from off-balance-sheet derivatives and additional collateral provision are not material.

The Branch holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Branch has established internal monitoring limit on LCR for foreign major currencies according to the amendment of regulatory framework for supervision of major currency's liquidity risk under LM-1 by HKMA.

The Branch has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite.



## V. Liquidity information (Continued)

### LIQA: Liquidity risk management

Funding liquidity risk relates to the Branch's ability to fulfill its obligations arising from financial liabilities as they fall due, or its ability to fulfill maturing funding needs, which subsequently affects the Branch's capacity to support deposit withdrawal or drawdown on loan commitments. Effective liquidity risk management helps to sustain the expansion of the Branch's business with liquidity cost and risk under control. The Branch has established and implemented its own liquidity risk management policy per local regulatory requirements in order to fulfill its liquidity risk management. The Asset and Liability Management Committee (ALCO) of the Branch is the decision-making body in balance sheet management and is responsible for coordinating and overseeing all related strategies, including risk management framework and risk appetite. Asset and Liability Management Department is responsible for analyzing and monitoring activities related to liquidity risk. Global Markets Department is responsible for managing daily liquidity position and related executions. Internal Audit Department is responsible for conducting periodic review to ensure liquidity risk management framework is effectively implemented.

The cornerstone of the Branch's funding sources is customer deposit. The Branch strives to build up core deposits while diversifying funding sources via various funding channels to enhance financing capacity. The Branch actively participates in the money market, issues certificates of deposit and medium term notes to sustain longer-term funding. Regarding liquidity arrangement with Head Office, the Branch performs regular funding transfer with Head Office to preserve prompt intragroup backup funding supply if necessary. Monitoring and control on intragroup funding transactions are in line with those of third parties. Moreover, Head Office has set up group wide internal limits to control the Branch's reliance on Head Office's funding.

The majority of the liquidity risk of the Branch arises from maturity mismatch of assets and liabilities. Therefore, regular cash flow analysis and projections on both on- and off-balance sheet items falling within different maturity buckets is performed to ensure funding need. Moreover, the Branch closely monitors off-balance sheet funding obligations (such as commitments or letters of guarantee) and assesses their impact to our liquidity capacity. Furthermore, the Branch strives to maintain high marketability of the asset portfolio to allow prompt monetization in case of unforeseeable liquidity crunch in the market.

The Branch has in place various limits and indicators for liquidity risk, including liquidity coverage ratio, loan-to-deposit ratio, concentration limits on customer deposits, interbranch and interbank borrowing utilization ratio, etc. for effective identification and control of liquidity risk. The Branch utilizes relevant management information systems to perform daily liquidity risk management functions. Moreover, the Branch performs daily cash flow analysis to assess liquidity in normal circumstances, and performs regular stress test (at least monthly) to evaluate the Branch's resilience under significant stress conditions. The stress test scenarios are designed with reference to the HKMA's Supervisory Policy Manuals, and also historical liquidity stress scenarios. The Branch's stress test takes into account the impact of all assets, liabilities and off-balance sheet positions and estimates possible funding short-fall with historical data and plausible stress conditions. The results will be scrutinized and appropriate measures will be taken if necessary.

The Branch has set up early warning indicator system, and movements of relevant indicators are closely monitored on a regular basis. In case of liquidity crisis emerges, the Branch's Crisis Management Committee will be formed to formulate appropriate contingency funding plan to resolve the crisis. The Branch also performs regular drill in order to ensure prompt actions and feasibility of contingency funding plan under crisis.

To cope with unpredictable liquidity needs, the Branch has set up liquidity buffer to maintain sufficient highly liquid assets. The buffer portfolio contains cash, Exchange Fund Bills / Notes, unencumbered sovereign bonds and other high quality bonds, which is managed by Asset and Liability Management Department and operated by Global Markets Department on a daily basis.

## V. Liquidity information (Continued)

### LIQA: Liquidity risk management (Continued)

The on- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps are disclosed as below:

Equivalent in millions of HK\$	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
As at 31 Dec 2018							
Total on-balance sheet assets	243,022	39,867	82,095	93,384	6,666	3,060	468,094
Total on-balance sheet liabilities	208,304	102,430	63,337	65,361	5,517	23,145	468,094
Net amount on liquidity gap	34,718	(62,563)	18,758	28,023	1,149	(20,085)	–
Net amount on liquidity gap of irrevocable loan commitments	(31,931)	–	–	–	–	19,574	(12,357)
As at 31 Dec 2017							
Total on-balance sheet assets	331,244	45,282	79,197	96,033	38,846	4,507	595,109
Total on-balance sheet liabilities	285,044	143,208	92,017	40,626	13,075	21,139	595,109
Net amount on liquidity gap	46,200	(97,926)	(12,820)	55,407	25,771	(16,632)	–
Net amount on liquidity gap of irrevocable loan commitments	(29,670)	(2)	(11)	(55)	(95)	19,537	(10,296)

## V. Liquidity information (Continued)

### LIQ1: Liquidity Coverage Ratio ("LCR") – for category 1 institution

2018 Fourth quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 December 2018: (75)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		87,025,051
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,692,029	156,064
3.	<i>Stable retail deposits and stable small business funding</i>	87,011	4,351
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,429,227	142,923
4a.	<i>Retail term deposits and small business term funding</i>	175,791	8,790
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	183,320,508	100,601,183
6.	<i>Operational deposits</i>	9,201,575	2,288,228
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	173,556,512	97,750,534
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	562,421	562,421
9.	Secured funding transactions (including securities swap transactions)		1,891,420
10.	Additional requirements, of which:	45,177,955	8,937,177
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	9,902,548	3,638,381
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	35,275,407	5,298,796
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,903,569	5,903,568
15.	Other contingent funding obligations (whether contractual or non-contractual)	41,882,005	820,525
16.	<b>Total Cash Outflows</b>		118,309,937
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	94,608,798	44,083,626
19.	Other cash inflows	6,157,871	6,157,871
20.	<b>Total Cash Inflows</b>	100,766,669	50,241,497
<b>D. Liquidity Coverage Ratio</b>			Adjusted value
21.	<b>Total HQLA</b>		87,025,051
22.	<b>Total Net Cash Outflows</b>		68,068,440
23.	<b>LCR (%)</b>		130.27%

## V. Liquidity information (Continued)

### LIQ1: Liquidity Coverage Ratio ("LCR") – for category 1 institution (Continued)

2018 Third quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 September 2018: (76)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		85,404,512
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,657,986	153,737
3.	<i>Stable retail deposits and stable small business funding</i>	77,556	3,878
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,416,750	141,675
4a.	<i>Retail term deposits and small business term funding</i>	163,680	8,184
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	183,539,329	97,249,824
6.	<i>Operational deposits</i>	14,801,692	3,691,373
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	168,503,670	93,324,484
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	233,967	233,967
9.	Secured funding transactions (including securities swap transactions)		347,441
10.	Additional requirements, of which:	36,694,888	7,612,786
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	6,273,839	3,070,828
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	30,421,049	4,541,958
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	7,922,538	7,922,538
15.	Other contingent funding obligations (whether contractual or non-contractual)	34,406,998	799,639
16.	<b>Total Cash Outflows</b>		114,085,965
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	96,702,128	42,637,782
19.	Other cash inflows	6,084,622	6,084,622
20.	<b>Total Cash Inflows</b>	102,786,750	48,722,404
<b>D. Liquidity Coverage Ratio</b>			Adjusted value
21.	<b>Total HQLA</b>		85,404,512
22.	<b>Total Net Cash Outflows</b>		65,363,561
23.	<b>LCR (%)</b>		132.31%

## V. Liquidity information (Continued)

### LIQ1: Liquidity Coverage Ratio ("LCR") – for category 1 institution (Continued)

2018 Second quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 June 2018: (73)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		104,817,748
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,761,207	164,872
3.	<i>Stable retail deposits and stable small business funding</i>	69,313	3,466
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,536,226	153,623
4a.	<i>Retail term deposits and small business term funding</i>	155,668	7,783
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	258,886,096	115,665,292
6.	<i>Operational deposits</i>	89,020,488	22,254,324
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	168,216,054	91,761,414
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,649,554	1,649,554
9.	Secured funding transactions (including securities swap transactions)		587,030
10.	Additional requirements, of which:	21,250,503	5,310,477
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,908,209	2,331,446
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	18,342,294	2,979,031
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,096,193	5,096,193
15.	Other contingent funding obligations (whether contractual or non-contractual)	35,891,379	805,114
16.	<b>Total Cash Outflows</b>		127,628,978
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	93,765,616	55,706,346
19.	Other cash inflows	7,382,012	7,382,012
20.	<b>Total Cash Inflows</b>	101,147,628	63,088,358
<b>D. Liquidity Coverage Ratio</b>			Adjusted value
21.	<b>Total HQLA</b>		104,817,748
22.	<b>Total Net Cash Outflows</b>		64,540,620
23.	<b>LCR (%)</b>		165.96%

## V. Liquidity information (Continued)

### LIQ1: Liquidity Coverage Ratio ("LCR") – for category 1 institution (Continued)

2018 First quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 March 2018: (72)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
<b>A. HQLA</b>			
1.	Total HQLA		113,341,226
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	55,982,779	4,136,542
3.	<i>Stable retail deposits and stable small business funding</i>	1,796,660	89,833
4.	<i>Less stable retail deposits and less stable small business funding</i>	26,748,047	2,674,805
4a.	<i>Retail term deposits and small business term funding</i>	27,438,072	1,371,904
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	241,954,868	116,711,305
6.	<i>Operational deposits</i>	63,108,398	15,762,239
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	174,642,496	96,745,092
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	4,203,974	4,203,974
9.	Secured funding transactions (including securities swap transactions)		1,327,750
10.	Additional requirements, of which:	31,722,860	7,136,516
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	6,277,650	3,606,863
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	25,445,210	3,529,653
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	16,586,751	16,586,751
15.	Other contingent funding obligations (whether contractual or non-contractual)	44,454,729	762,371
16.	<b>Total Cash Outflows</b>		146,661,235
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	131,806,396	82,829,902
19.	Other cash inflows	12,111,785	12,111,785
20.	<b>Total Cash Inflows</b>	143,918,181	94,941,687
<b>D. Liquidity Coverage Ratio</b>			Adjusted value
21.	<b>Total HQLA</b>		113,341,226
22.	<b>Total Net Cash Outflows</b>		61,273,683
23.	<b>LCR (%)</b>		195.70%

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution

2018 Fourth quarter end:

Basis of disclosure: Hong Kong office	Unweighted value by residual maturity				Weighted amount HK\$'000
	No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>				
1.	Capital:	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–
4.	Retail deposits and small business funding:	–	1,679,128	9,963	–
5.	<i>Stable deposits</i>	–	94,233	–	–
6.	<i>Less stable deposits</i>	–	1,584,895	9,963	–
7.	Wholesale funding:	–	319,279,609	21,216,935	27,701,546
8.	<i>Operational deposits</i>	–	6,925,307	–	–
9.	<i>Other wholesale funding</i>	–	312,354,302	21,216,935	27,701,546
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	1,513,911	9,915,000	8,170,917	72,278,177
12.	<i>Net derivative liabilities</i>	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,513,911	9,915,000	8,170,917	72,278,177
14.	<b>Total ASF</b>				235,843,533
<b>B.</b>	<b>Required stable funding ("RSF") item</b>				
15.	Total HQLA for NSFR purposes	–	28,692,145	19,517,479	45,307,337
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	40,511,642	146,062,552	40,778,269	133,634,327
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	16,459,439	137,261,195	23,699,024	22,958,155
					71,856,285

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 Fourth quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	24,052,203	4,739,348	12,277,238	47,624,358	69,433,370
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	2,856	536	41,075	36,610
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	4,059,153	4,801,471	63,010,739	58,889,344
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	12,583,742	2,254,535	–	–	5,968,178
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	707,597	–	–	–	601,457
29.	Net derivative assets	625,395	–	–	–	625,395
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	6,839,513	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	4,411,237	2,254,535	–	–	4,741,326
32.	Off-balance sheet items	–	107,428	3,876	74,251,640	1,621,388
33.	<b>Total RSF</b>	–	–	–	–	218,215,871
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	108.08%



## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 Third quarter end:

Basis of disclosure: Hong Kong office	Unweighted value by residual maturity				Weighted amount HK\$'000
	No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>				
1.	Capital:	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–
4.	Retail deposits and small business funding:	–	1,623,511	6,289	–
5.	<i>Stable deposits</i>	–	80,206	–	–
6.	<i>Less stable deposits</i>	–	1,543,305	6,289	–
7.	Wholesale funding:	–	333,132,293	8,357,547	32,644,018
8.	<i>Operational deposits</i>	–	4,617,536	–	–
9.	<i>Other wholesale funding</i>	–	328,514,757	8,357,547	32,644,018
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	2,109,572	8,329,540	7,487,391	71,276,495
12.	<i>Net derivative liabilities</i>	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	2,109,572	8,329,540	7,487,391	71,276,495
14.	<b>Total ASF</b>				247,944,625
<b>B.</b>	<b>Required stable funding ("RSF") item</b>				
15.	Total HQLA for NSFR purposes	–	32,521,482	18,683,280	43,037,689
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	42,397,246	146,622,307	38,951,060	137,533,849
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	20,772,790	134,437,894	19,843,475	20,624,511
					71,484,723

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 Third quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	21,624,456	4,937,929	10,440,740	51,657,306	69,978,832
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	1,216	5,795	38,651	36,359
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	7,245,268	8,661,050	65,213,381	64,077,665
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	13,099,981	1,351,371	–	–	6,067,152
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	498,461	–	–	–	423,692
29.	<i>Net derivative assets</i>	1,405,839	–	–	–	1,405,839
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	7,083,677	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	4,112,004	1,351,371	–	–	4,237,621
32.	Off-balance sheet items	–	4,073,257	5,172	71,379,072	1,852,655
33.	<b>Total RSF</b>	–	–	–	–	224,153,780
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	110.61%

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 Second quarter end:

Basis of disclosure: Hong Kong office	Unweighted value by residual maturity				Weighted amount HK\$'000
	No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>				
1.	Capital:	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–
4.	Retail deposits and small business funding:	–	1,571,941	6,449	–
5.	<i>Stable deposits</i>	–	65,634	–	–
6.	<i>Less stable deposits</i>	–	1,506,307	6,449	–
7.	Wholesale funding:	–	333,948,878	13,148,068	28,469,211
8.	<i>Operational deposits</i>	–	35,196,737	–	–
9.	<i>Other wholesale funding</i>	–	298,752,141	13,148,068	28,469,211
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	1,628,587	4,943,849	6,554,955	74,463,187
12.	<i>Net derivative liabilities</i>	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,628,587	4,943,849	6,554,955	74,463,187
14.	<b>Total ASF</b>				247,309,995
<b>B.</b>	<b>Required stable funding ("RSF") item</b>				
15.	Total HQLA for NSFR purposes	–	20,121,011	21,081,137	37,348,384
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	47,767,065	150,492,998	30,396,102	136,424,539
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	24,140,219	130,885,063	16,380,268	21,370,223
					73,333,335

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 Second quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	23,626,846	16,338,420	5,085,162	69,334,521	89,728,952
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	12,924	1,921	31,934	34,567
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	3,256,591	8,928,751	45,687,861	44,927,353
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	21,851,603	5,287,421	–	–	17,858,739
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	222,661	–	–	–	189,262
29.	Net derivative assets	2,002,845	–	–	–	2,002,845
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	5,105,099	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	14,520,998	5,287,421	–	–	15,666,632
32.	Off-balance sheet items	–	4,082,594	766	48,473,879	926,132
33.	<b>Total RSF</b>	–	–	–	–	234,629,408
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	105.40%

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 First quarter end:

Basis of disclosure: Hong Kong office	Unweighted value by residual maturity				Weighted amount HK\$'000
	No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A.</b>	<b>Available stable funding ("ASF") item</b>				
1.	Capital:	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–
4.	Retail deposits and small business funding:	–	1,670,774	3,151	–
5.	<i>Stable deposits</i>	–	67,102	–	–
6.	<i>Less stable deposits</i>	–	1,603,672	3,151	–
7.	Wholesale funding:	–	400,717,119	19,573,690	18,137,766
8.	<i>Operational deposits</i>	–	93,849,690	–	–
9.	<i>Other wholesale funding</i>	–	306,867,429	19,573,690	18,137,766
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	4,766,182	7,349,996	5,926,540	59,467,925
12.	<i>Net derivative liabilities</i>	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	4,766,182	7,349,996	5,926,540	59,467,925
14.	<b>Total ASF</b>				255,752,119
<b>B.</b>	<b>Required stable funding ("RSF") item</b>				
15.	Total HQLA for NSFR purposes	–	64,505,095	21,213,782	33,808,513
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	30,525,179	161,346,925	31,711,459	165,463,248
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	15,569,798	132,560,450	18,026,637	27,613,480
					72,080,664

## V. Liquidity information (Continued)

### LIQ2: Net Stable Funding Ratio – for category 1 institution (Continued)

2018 First quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	14,955,381	22,585,243	2,191,249	74,413,842	88,352,085
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	3,677	1,154	43,245	39,174
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	6,197,555	11,492,419	63,392,681	62,728,766
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	17,892,344	4,615,675	–	–	10,707,178
27.	<i>Physical traded commodities, including gold</i>	–	–	–	–	–
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	137,705	–	–	–	117,049
29.	Net derivative assets	1,887,971	–	–	–	1,887,971
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	9,208,337	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	6,658,331	4,615,675	–	–	8,702,158
32.	Off-balance sheet items	–	6	–	59,513,416	922,267
33.	<b>Total RSF</b>	–	–	–	–	242,121,150
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	105.63%

## VI. Disclosure of remuneration policy

In accordance with the disclosure requirement of the Supervisory Policy Manual “CG-5 Guideline on a Sound Remuneration System” issued by the HKMA, the following disclosures are made:

### (i) Governance structure of the remuneration system

Established under the Board of Directors of the Head Office, the Personnel and Remuneration Committee is primarily responsible for formulating the remuneration and incentive plans for Directors and Senior Management according to the strategic plans and operational targets approved by the Board of Directors, presenting proposals on remuneration plans to the Board of Directors and monitoring the implementation of such plans, developing the criteria and procedures for election and appointments of Directors and Senior Management and performing initial assessments, as well as approving and amending the policies on diversification of members of the Board of Directors and evaluation of implementation. The Personnel and Remuneration Committee performs the functions of both an Nomination Committee and an Remuneration Committee to optimize the Bank’s corporate governance structure and improve the effectiveness of the Bank’s operations. Relevant policies are applicable to the staff of its overseas institutions including the Branch (please refer to the Annual Report (H Share) of Bank of Communications Co., Ltd. for details on the Personnel and Remuneration Committee and related information on the meetings held).

To ensure the suitability of the remuneration system, the Branch will seek advice from external consultants if necessary.

“Senior Management” refers to the executives, including but not limited to the Branch’s Chief Executive, Deputy Chief Executive and other senior executives, who are responsible for oversight of the Branch’s firm-wide strategy or activities or those of the Branch’s material business lines. “Key Personnel” refers to the individual staff whose duties or activities in the course of their employment involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who have direct influence on the Branch’s profit, such as management staff of global markets.

## VI. Disclosure of remuneration policy (Continued)

### (ii) Remuneration policy

The remuneration policy supports the Branch's overall approach to risk management so as to ensure it is not undermined and to encourage staff to support the Branch's overall risk management, including but not limited to credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk and strategic risk.

Staff remuneration is composed of "fixed remuneration" and "variable remuneration". Both are paid by cash. The proportion of fixed and variable remuneration is determined by the factors such as staff seniority, job responsibilities and the need to encourage staff to support the Branch's overall risk management and long-term financial soundness. For risk control personnel, their remuneration is determined independent of the performance of the business units they oversee.

The award of variable remuneration to the staff is determined by individual fulfilment of both financial and non-financial factors (including but not limited to the adherence to the risk management policies, compliance with legal, regulatory and ethical standards, etc.). Under such arrangement, staff performance shall be assessed comprehensively and appropriately reflected in their variable remuneration after taken into account of other factors such as the Branch's financial performance and future development. To improve and enhance the remuneration system and to strike a balance between staff current earnings and the delayed risk that might bring to the Branch as well as to support the Branch's stability and sustainable development, the Branch has implemented a deferral mechanism on performance bonus with a vesting period of three years.

The Branch conducts regular internal monitoring to ensure compliance in the implementation of its remuneration policy. Such monitoring is conducted by relevant independent departments responsible for compliance monitoring in accordance with the Branch's organization structure. The remuneration policy is subject to review periodically and when necessary.

### (iii)(a) Aggregate amount of remuneration for senior management and key personnel <sup>Note 1</sup>

	31 Dec 2018		31 Dec 2017	
	(No. of Senior Management: 21 No. of Key Personnel: 11) <sup>Note 2</sup>		(No. of Senior Management: 11 No. of Key Personnel: 8) <sup>Note 2</sup>	
	Non-deferred HK\$'000	Deferred HK\$'000	Non-deferred HK\$'000	Deferred HK\$'000
Fixed Remuneration				
– Cash	35,770	–	29,380	–
– Shares and share-linked instruments	–	–	–	–
Variable Remuneration				
– Cash	23,089	8,560	21,627	4,544
– Shares and share-linked instruments	–	–	–	–



## VI. Disclosure of remuneration policy (Continued)

### (iii)(b) Deferred remuneration

	<b>31 Dec 2018</b>	31 Dec 2017
	<b>HK\$'000</b>	HK\$'000
Vested		
– Cash	<b>4,621</b>	4,023
– Shares and share-linked instruments	–	–
Unvested		
– Cash	<b>8,405</b>	4,466
– Shares and share-linked instruments	–	–
	<b>13,026</b>	8,489
Awarded	<b>8,560</b>	4,544
Paid out	<b>4,621</b>	4,023
Reduced through performance adjustments	–	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	<b>8,405</b>	4,466
Total amount of reductions during the financial year due to:		
– Ex post explicit adjustment	–	–
– Ex post implicit adjustment	–	–

#### Note:

- Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part. No guaranteed minimum bonuses without regard to an employee's performance, sign-on or severance payments were awarded and made to senior management and key personnel during the financial years of 2017 and 2018.
- Included staff newly joined or left the Branch during the financial year.

## SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)

### I. Consolidated balance sheet items and financial ratios

	<b>31 Dec 2018</b>	30 Jun 2018	Variance
	<b>CNY million</b>	CNY million	
		(Unaudited)	%
Total loans and advances	<b>4,742,372</b>	4,669,207	+1.57
Total customer deposits	<b>5,793,324</b>	5,732,928	+1.05
Total assets	<b>9,531,171</b>	9,322,707	+2.24
Total liabilities	<b>8,825,863</b>	8,652,646	+2.00
Shareholders' equity	<b>698,405</b>	663,653	+5.24
Capital adequacy ratio	<b>14.37%</b>	13.86%	+0.51

The capital adequacy ratio above is calculated pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation) issued by the China Banking and Insurance Regulatory Commission.

	<b>31 Dec 2018</b>	31 Dec 2017	Variance
	<b>(12 months)</b>	(12 months)	
	<b>CNY million</b>	CNY million	%
Pre-tax profit	<b>86,067</b>	83,265	+3.37

**Wang Feng, Chief Executive**  
**Bank of Communications Co., Ltd. Hong Kong Branch**  
30 April 2019