



Bank of Communications Co., Ltd. Hong Kong Branch

(A joint stock company incorporated in the People's Republic of China with limited liability)

# REGULATORY DISCLOSURE STATEMENT

31 December 2022 (Unaudited)



CREATE SHARED VALUE  
創造共同價值

Bank of Communications Co., Ltd. Hong Kong Branch

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These disclosures are prepared under the Banking (Disclosure) Rules

The following disclosures contained all disclosures required by the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority (“HKMA”). Within this document, Mainland China excludes Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”), Macau Special Administrative Region of the People’s Republic of China and Taiwan.

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

### I. Profit and loss information

	<b>31 Dec 2022</b> <b>(12 months)</b> <b>HK\$'000</b>	31 Dec 2021 (12 months) HK\$'000
Interest income	<b>8,034,977</b>	4,330,645
Interest expense	<b>(5,740,161)</b>	(2,713,468)
Net interest income	<b>2,294,816</b>	1,617,177
Commission and fees income	<b>922,243</b>	1,120,545
Commission and fees expenses	<b>(42,725)</b>	(43,087)
Net commission and fees income	<b>879,518</b>	1,077,458
Gains less losses arising from trading in foreign currencies	<b>(87,881)</b>	408,186
Gains less losses on securities held for trading purposes	<b>(325,284)</b>	(60,506)
Gains less losses from other trading activities	<b>(404,300)</b>	(169,266)
Others	<b>792,358</b>	493,899
Other operating gains less losses	<b>(25,107)</b>	672,313
	<b>3,149,227</b>	3,366,948
Operating expenses		
Staff and rental expenses	<b>(1,111,267)</b>	(1,139,629)
Other operating expenses	<b>(358,695)</b>	(353,806)
Charge of impairment allowances for loans and receivables	<b>(908,544)</b>	(694,790)
(Charge) / write back of other impairment allowances	<b>(22,086)</b>	45,018
Gains less losses from disposal of tangible fixed assets	<b>(490)</b>	(27)
Gains less losses from revaluation of investment properties	<b>(413)</b>	(20,033)
<b>Profit before taxation</b>	<b>747,732</b>	1,203,681
Income tax expense	<b>(112,947)</b>	(154,199)
<b>Profit after taxation</b>	<b>634,785</b>	1,049,482

## II. Balance sheet information

	31 Dec 2022 HK\$'000	30 Jun 2022 HK\$'000
<b>Assets</b>		
Cash and balances with banks	28,897,091	12,291,007
Amount due from Exchange Fund repayable or callable within one month	540,378	2,317,227
Placements with banks with residual maturity between one and twelve months	15,970,125	36,770,328
Amount due from overseas offices	54,613,312	117,889,473
Trade bills	2,267,885	5,493,563
Certificates of deposit held	1,678,977	4,176,175
Securities held for trading purposes	4,914,116	4,958,683
Loans and receivables	157,744,069	148,893,867
Investment securities	85,624,951	94,155,538
Other investments	556,406	538,919
Property, plant and equipment and investment properties	756,844	773,636
<b>Total assets</b>	<b>353,564,154</b>	<b>428,258,416</b>
<b>Liabilities</b>		
Amount due to Exchange Fund	55,000	55,000
Deposits and balances from banks	11,770,159	30,786,639
Deposits from customers		
– Demand deposits and current accounts	3,743,902	8,505,054
– Saving deposits	19,684,328	33,551,200
– Time, call and notice deposits	111,210,441	139,670,226
Amount due to overseas offices	44,407,069	64,042,120
Certificates of deposit issued	26,417,896	21,994,791
Debt securities issued	49,612,290	51,726,391
Other liabilities	86,494,102	77,744,036
Provisions	168,967	182,959
<b>Total liabilities</b>	<b>353,564,154</b>	<b>428,258,416</b>

### III. Additional balance sheet information

#### (i) Loans and receivables

	<b>31 Dec 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Loans and receivables		
Loans and advances to customers	<b>110,065,374</b>	107,912,495
Loans and advances to banks	–	–
Accrued interest and other accounts	<b>50,105,079</b>	42,504,480
	<b>160,170,453</b>	150,416,975
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>(163,963)</b>	(175,274)
– for loans and advances to banks	–	–
– for accrued interest and other accounts	<b>(3,089)</b>	(8,604)
Stage 3 provision for ECL		
– for loans and advances to customers	<b>(2,126,082)</b>	(1,224,150)
– for accrued interest and other accounts	<b>(133,250)</b>	(115,080)
	<b>(2,426,384)</b>	(1,523,108)
	<b>157,744,069</b>	148,893,867

No impairment allowance for loans and advances and other accounts is maintained at the Head Office as at 31 Dec 2022 and 30 Jun 2022.

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

	<b>31 Dec 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Gross impaired loans and advances to customers	<b>2,501,351</b>	2,579,420
As percentage of total loans and advances to customers	<b>2.27</b>	2.39
Stage 3 provision for ECL	<b>2,126,082</b>	1,224,150

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 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>2,500,619</b>	2,578,688
Mainland China	<b>732</b>	732
Other countries	<b>–</b>	–
	<b>2,501,351</b>	2,579,420

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 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Market value of collateral related to impaired loans and advances to customers	<b>1,222,775</b>	1,222,775

#### (iii) Trade bills

	<b>31 Dec 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Gross trade bills	<b>2,288,869</b>	5,507,990
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	<b>(12,354)</b>	(5,745)
Stage 3 provision for ECL	<b>(8,630)</b>	(8,682)
	<b>(20,984)</b>	(14,427)
	<b>2,267,885</b>	5,493,563

#### (iv) Investment securities

	<b>31 Dec 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Gross investment securities	<b>85,625,831</b>	94,156,424
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	<b>(880)</b>	(886)
Stage 3 provision for ECL	<b>–</b>	–
	<b>85,624,951</b>	94,155,538

No impairment allowances for investment securities are maintained at the Head Office as at 31 Dec 2022 and 30 Jun 2022.

### 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 2022 HK\$'000	% of secured loans and advances	30 Jun 2022 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	6,692,411	6.17	6,798,917	28.12
– Property investment	1,929,147	47.61	2,761,120	36.41
– Financial concerns	35,208,557	–	35,004,614	–
– Stockbrokers	4,693,203	–	2,879,795	6.94
– Wholesale and retail trade	1,143,328	25.17	1,357,213	23.43
– Manufacturing	3,616,743	3.33	3,654,950	3.10
– Transport and transport equipment	6,375,473	53.47	6,564,090	44.52
– Recreational activities	770,000	–	–	–
– Information technology	24,400	100.00	810,110	3.16
– Others	13,763,119	3.55	12,145,157	4.76
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	74,216,381		71,975,966	
Trade finance	891,384	48.01	1,364,365	31.08
Loans and advances for use outside Hong Kong	34,957,609	20.14	34,572,164	21.84
Total	110,065,374	11.93	107,912,495	13.94



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

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

	<b>31 Dec 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>87,124,293</b>	84,873,294
Mainland China	<b>16,176,555</b>	17,359,771
Other countries	<b>6,764,526</b>	5,679,430
	<b>110,065,374</b>	107,912,495

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 2022					
Developing Asia-Pacific	<b>110,926</b>	<b>11,467</b>	<b>9,234</b>	<b>9,122</b>	<b>140,749</b>
of which: Mainland China	<b>109,287</b>	<b>10,563</b>	<b>9,234</b>	<b>9,014</b>	<b>138,098</b>
Developed countries	<b>14,848</b>	<b>5,391</b>	<b>20,949</b>	<b>4,457</b>	<b>45,645</b>
Offshore centres	<b>3,002</b>	<b>11,285</b>	<b>38,049</b>	<b>20,088</b>	<b>72,424</b>
of which: Hong Kong	<b>2,592</b>	<b>11,285</b>	<b>35,043</b>	<b>20,088</b>	<b>69,008</b>
As at 30 Jun 2022					
Developing Asia-Pacific	188,585	12,582	8,051	9,078	218,296
of which: Mainland China	187,914	11,762	8,051	8,952	216,679
Developed countries	9,936	4,884	20,484	4,047	39,351
Offshore centres	2,239	13,939	40,605	20,356	77,139
of which: Hong Kong	2,227	13,939	37,696	20,351	74,213

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

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

	31 Dec 2022 HK\$'000	% of total loans and advances to customers	30 Jun 2022 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>2,501,267</b>	<b>2.27</b>	2,579,336	2.39
	<b>2,501,267</b>	<b>2.27</b>	2,579,336	2.39
			<b>31 Dec 2022 HK\$'000</b>	30 Jun 2022 HK\$'000
Market value of collateral held against the secured overdue loans and advances			<b>1,287,132</b>	1,287,132
Secured overdue loans and advances			<b>1,222,775</b>	1,222,776
Unsecured overdue loans and advances			<b>1,278,492</b>	1,356,560
Stage 3 provision for ECL			<b>2,125,998</b>	1,224,066
Overdue loans and advances to customers by geographical area				
Hong Kong			<b>2,500,535</b>	2,578,604
Mainland China			<b>732</b>	732
			<b>2,501,267</b>	2,579,336

Collateral held with respect to overdue loans and advances to customers is mainly properties.

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 2022 HK\$'000	% of trade bills	30 Jun 2022 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>8,630</b>	<b>0.38</b>	8,682	0.16
	<b>8,630</b>	<b>0.38</b>	8,682	0.16

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2022 and 30 Jun 2022.

	31 Dec 2022 HK\$'000	30 Jun 2022 HK\$'000
Secured overdue assets	–	–
Unsecured overdue assets	<b>8,630</b>	8,682
Stage 3 provision for ECL	<b>8,630</b>	8,682
Overdue assets by geographical area		
United States	<b>349</b>	351
Hong Kong	<b>8,281</b>	8,331
	<b>8,630</b>	8,682

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

There are no rescheduled loans to customers net of overdue more than 3 months as at 31 Dec 2022 and 30 Jun 2022.

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

There are no repossessed assets held as at 31 Dec 2022 and 30 Jun 2022.

### 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 2022			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	58,070,933	1,709,046	59,779,979
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,361,800	233,029	1,594,829
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	11,644,002	1,002,747	12,646,749
4. Other entities of central government not reported in item 1 above	182,884	57,417	240,301
5. Other entities of local governments not reported in item 2 above	–	85,337	85,337
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	295,086	–	295,086
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
<b>Total</b>	<b>71,554,705</b>	<b>3,087,576</b>	<b>74,642,281</b>
Total assets after provisions	<b>353,395,187</b>		
On-balance sheet exposures as percentage of total assets	<b>20.25%</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 2022			
1. Central government, central government-owned entities and their subsidiaries and JVs	58,681,988	7,556,779	66,238,767
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,316,452	357,903	1,674,355
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12,243,411	2,337,405	14,580,816
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	515,262	–	515,262
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	<u>72,757,113</u>	<u>10,252,087</u>	<u>83,009,200</u>
Total assets after provisions	428,075,457		
On-balance sheet exposures as percentage of total assets	<u>17.00%</u>		

### 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:

<b>Equivalent in millions of HK\$</b>	<b>Chinese Renminbi</b>	<b>US Dollars</b>	<b>Total</b>
As at 31 Dec 2022			
Spot assets	<b>27,357</b>	<b>233,302</b>	<b>260,659</b>
Spot liabilities	<b>(49,515)</b>	<b>(184,387)</b>	<b>(233,902)</b>
Forward purchases	<b>149,692</b>	<b>181,528</b>	<b>331,220</b>
Forward sales	<b>(128,183)</b>	<b>(227,466)</b>	<b>(355,649)</b>
Net options position*	<b>767</b>	<b>(767)</b>	<b>–</b>
Net long (short) position	<b>118</b>	<b>2,210</b>	<b>2,328</b>
As at 30 Jun 2022			
Spot assets	34,713	291,685	326,398
Spot liabilities	(27,497)	(261,609)	(289,106)
Forward purchases	178,103	244,664	422,767
Forward sales	(185,223)	(272,431)	(457,654)
Net options position*	1,758	(1,813)	(55)
Net long (short) position	1,854	496	2,350

\* 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 2022</b>	30 Jun 2022
	<b>HK\$'000</b>	HK\$'000
	<b>Contract amount</b>	Contract amount
Direct credit substitutes	<b>5,814,328</b>	5,891,915
Trade related contingencies	<b>9,541,114</b>	7,099,924
Others commitments	<b>35,440,793</b>	64,796,927
Others	<b>6,048,018</b>	1,804,373
	<b>56,844,253</b>	79,593,139

### (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 2022			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	<b>428,138,698</b>	<b>5,341,721</b>	<b>5,937,888</b>
Interest rate contracts	<b>681,370,449</b>	<b>30,717,814</b>	<b>28,852,753</b>
Others	<b>22,613</b>	–	–
	<b>1,109,531,760</b>	<b>36,059,535</b>	<b>34,790,641</b>
As at 30 Jun 2022			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	541,755,146	5,012,625	4,295,816
Interest rate contracts	730,082,271	23,042,952	22,361,145
Others	22,751	–	16
	1,271,860,168	28,055,577	26,656,977

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

## V. Liquidity information

	31 Dec 2022	31 Dec 2021*
Average liquidity coverage ratio ("LCR")		
– Fourth quarter	<b>199.89%</b>	155.95%
Average liquidity coverage ratio for the period	<b>168.31%</b>	163.36%
Net stable funding ratio ("NSFR")		
– Third quarter end	<b>114.94%</b>	114.05%
– Fourth quarter end	<b>113.41%</b>	117.96%

\* Standard disclosure templates (LIQ1 & LIQ2) of comparative information can be found in the Regulatory Disclosures Section of our website [www.bankcomm.com.hk](http://www.bankcomm.com.hk).

The Branch's LCR and HKD HQLA Level 1 LCR were above the regulatory requirement for the period.

The Branch's average LCR in year 2022 was 168.31%.

In the fourth quarter of year 2022, the Branch's average LCR increased compared with previous quarter as a result of increase in tenor of customer deposit and increase in certificate of deposits.

In the fourth quarter end of year 2022, the Branch's NSFR decreased due to customer loan growth.

Level 1 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. The main drivers of net cash outflows are wholesale funding and loans during the quarter. Deposit is the major funding source of the Branch, whereas other funding source include certificates of deposit and medium term notes etc.

LCR net cash outflow arising from off-balance-sheet derivatives and additional collateral provision are not material. The Branch's major liquidity profile is captured in the LCR calculation.

The Branch's HKD HQLA Level 1 LCR was above the regulatory requirement for the period. 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 Supervisory Policy Manual LM-1 issued by the 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. The Branch's daily liquidity management is governed by liquidity management requirement of Head Office and there is considerable level of interaction between members of the parent group. The Branch submits liquidity management reports to Head Office regularly and participates in the group liquidity stress test.



## 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 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. Financial 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 Financial 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:

<b>Equivalent in millions of HK\$</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Undated</b>	<b>Total</b>
As at 31 Dec 2022							
Total on-balance sheet assets	<b>154,905</b>	<b>30,847</b>	<b>69,702</b>	<b>56,172</b>	<b>5,915</b>	<b>36,023</b>	<b>353,564</b>
Total on-balance sheet liabilities	<b>110,806</b>	<b>61,856</b>	<b>70,806</b>	<b>49,232</b>	<b>5,498</b>	<b>55,366</b>	<b>353,564</b>
Net amount on liquidity gap	<b>44,099</b>	<b>(31,009)</b>	<b>(1,104)</b>	<b>6,940</b>	<b>417</b>	<b>(19,343)</b>	<b>–</b>
Net amount on liquidity gap of irrevocable loan commitments	<b>(4,197)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,494</b>	<b>15,297</b>
As at 31 Dec 2021							
Total on-balance sheet assets	205,176	63,989	63,961	66,684	7,155	17,116	424,081
Total on-balance sheet liabilities	202,300	92,899	34,479	50,429	5,498	38,476	424,081
Net amount on liquidity gap	2,876	(28,910)	29,482	16,255	1,657	(21,360)	–
Net amount on liquidity gap of irrevocable loan commitments	(16,973)	–	–	–	–	19,492	2,519

## V. Liquidity information (Continued)

### LIQ1: Liquidity Coverage Ratio – for category 1 institution

2022 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 Dec 2022: (75)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		54,204,883
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,816,669	165,004
3.	<i>Stable retail deposits and stable small business funding</i>	115,879	5,794
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,483,415	148,341
4a.	<i>Retail term deposits and small business term funding</i>	217,375	10,869
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	92,171,611	52,052,196
6.	<i>Operational deposits</i>	5,929,938	1,448,283
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	83,062,730	47,424,970
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	3,178,943	3,178,943
9.	Secured funding transactions (including securities swap transactions)		153,955
10.	Additional requirements, of which:	18,079,841	6,893,406
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	4,872,137	4,722,126
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>	13,207,704	2,171,280
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	21,531,357	21,531,357
15.	Other contingent funding obligations (whether contractual or non-contractual)	57,625,769	862,198
16.	<b>Total Cash Outflows</b>		81,658,116
<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	83,930,944	44,282,209
19.	Other cash inflows	29,140,377	9,584,484
20.	<b>Total Cash Inflows</b>	113,071,321	53,866,693
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		54,204,883
22.	<b>Total Net Cash Outflows</b>		28,226,848
23.	<b>LCR (%)</b>		199.89%

## V. Liquidity information (Continued)

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

2022 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. 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:	–	1,765,970	19,822	–	1,613,064
5.	<i>Stable deposits</i>	–	117,035	–	–	111,183
6.	<i>Less stable deposits</i>	–	1,648,935	19,822	–	1,501,881
7.	Wholesale funding:	–	150,023,282	31,321,432	8,618,938	83,526,275
8.	<i>Operational deposits</i>	–	4,822,628	–	–	2,411,314
9.	<i>Other wholesale funding</i>	–	145,200,654	31,321,432	8,618,938	81,114,961
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	16,543,410	25,003,960	9,806,595	75,996,607	80,899,905
12.	<i>Net derivative liabilities</i>	16,077,373	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	466,037	25,003,960	9,806,595	75,996,607	80,899,905
14.	<b>Total ASF</b>	–	–	–	–	166,039,244
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	9,165,007	14,270,288	35,607,032	7,708,637
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	40,748,459	120,116,102	27,978,384	61,836,516	128,689,004
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>	19,919,741	108,908,017	18,526,427	16,852,306	62,417,995

## V. Liquidity information (Continued)

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

2022 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>	20,828,718	7,718,568	5,410,244	18,134,243	39,682,923
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>	–	552	574	12,110	10,856
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>	–	3,488,965	4,041,139	26,837,857	26,577,230
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	38,403,065	4,097,448	–	–	9,804,836
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>	6,837,268	–	–	–	5,811,678
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	29,047,876	–	–	–	1,452,394
31.	<i>All other assets not included in the above categories</i>	2,517,921	4,097,448	–	–	2,540,764
32.	<i>Off-balance sheet items</i>	–	–	–	50,796,235	209,854
33.	<b>Total RSF</b>	–	–	–	–	146,412,331
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	113.41%

## V. Liquidity information (Continued)

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

2022 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. 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:	–	1,839,288	42,258	–	1,699,440
5.	<i>Stable deposits</i>	–	120,972	–	–	114,923
6.	<i>Less stable deposits</i>	–	1,718,316	42,258	–	1,584,517
7.	Wholesale funding:	–	181,603,304	12,898,521	12,465,367	84,117,161
8.	<i>Operational deposits</i>	–	6,013,496	–	–	3,006,748
9.	<i>Other wholesale funding</i>	–	175,589,808	12,898,521	12,465,367	81,110,413
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	16,949,732	22,911,660	17,352,007	68,055,963	76,731,967
12.	<i>Net derivative liabilities</i>	16,008,590	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	941,142	22,911,660	17,352,007	68,055,963	76,731,967
14.	<b>Total ASF</b>	–	–	–	–	162,548,568
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	13,002,093	13,523,731	34,252,976	5,899,335
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	35,937,175	140,533,947	21,161,054	59,149,917	124,014,127
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>	17,182,048	129,383,943	12,432,179	18,526,784	63,603,166

## V. Liquidity information (Continued)

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

2022 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>	18,755,127	8,649,140	5,307,154	16,632,877	37,057,950
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>	–	608	547	12,387	11,107
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>	–	2,500,256	3,421,174	23,977,869	23,341,904
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	42,750,033	6,780,067	–	–	10,814,959
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>	6,844,292	–	–	–	5,817,648
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	33,281,821	–	–	–	1,664,091
31.	<i>All other assets not included in the above categories</i>	2,623,920	6,780,067	–	–	3,333,220
32.	<i>Off-balance sheet items</i>	–	–	70	76,036,501	696,237
33.	<b>Total RSF</b>	–	–	–	–	141,424,658
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	114.94%

## 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 & Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on its scale and structure according to the Group’s operating results, the scale of assets and the structure of shareholding; approving and amending the policies on diversification of members of the Board of Directors; making recommendations to the Board of Directors on formulating the selection procedures and assessment criteria for the Group’s directors and senior management personnel; reviewing the basic systems and policies of the Group’s remuneration management, the remuneration policy and structure of directors and senior management personnel, putting forward suggestions on the salary distribution plan of directors and senior managers and then submitting it to the Board of Directors for deliberation; and reviewing the independency of independent directors. The Personnel & Remuneration Committee performed the functions of both a Nomination Committee and a Remuneration Committee. 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 & Remuneration Committee and related information on the meetings held).

“Senior Management” refers to the 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 or the taking on of material exposures on behalf of the Branch. To ensure the suitability of the remuneration system, the Branch will seek advice from external consultants if necessary.

### (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, strategic risk and consistent with the Branch’s climate risk management strategy.

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, corporate values 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, bank culture, 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. Apart from considering the Branch’s business performance, if a staff is found to have committed significant operational incidents, non-compliance, identified accountability incidents or other serious incidents, the Branch may recalculate the variable remuneration and / or adjust the deferred variable remuneration of the staff.

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.



## VI. Disclosure of remuneration policy (Continued)

### (iii)(a) Aggregate amount of remuneration for Senior Management and Key Personnel

	31 Dec 2022		31 Dec 2021	
	(No. of Senior Management: 19 No. of Key Personnel: 12) <sup>Note 1-3</sup>		(No. of Senior Management: 22 No. of Key Personnel: 10) <sup>Note 1-3</sup>	
	Non-deferred	Deferred	Non-deferred	Deferred
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed Remuneration				
– Cash	47,383	–	52,667	–
– Shares and share-linked instruments	–	–	–	–
Variable Remuneration				
– Cash	20,747	11,285	33,328	10,374
– Shares and share-linked instruments	–	–	–	–

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 2021 and 2022.
- The remuneration of an individual Senior Management was paid by Bank of Communications (Hong Kong) Limited and disclosed in its Disclosure of Remuneration Policy.
- Included staff newly joined or left the Branch during the financial year.

### (iii)(b) Deferred remuneration

	31 Dec 2022	31 Dec 2021
	HK\$'000	HK\$'000
Vested		
– Cash	7,577	8,875
– Shares and share-linked instruments	–	–
Unvested		
– Cash	13,455	12,299
– Shares and share-linked instruments	–	–
Total	21,032	21,174
Awarded	11,285	10,374
Paid out	7,577	8,875
Reduced through performance adjustments	–	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	13,455	12,299
Total amount of reductions during the financial year due to:		
– Ex post explicit adjustment	–	–
– Ex post implicit adjustment	–	–

## VII. Climate-related risks disclosure

### (i) Consideration of Climate Change

At present, climate change is impacting the global ecological environment and economic development to varying degrees. To serve the national strategy of “carbon peak and carbon neutrality” and practice the concept of green development, the Head Office has been active in taking measures to identify and respond to financial risks caused by climate change, explicitly incorporated climate and environmental risks into the comprehensive risk management system, and officially become a supporting institution for Task Force on Climate-related Financial Disclosures. The Branch evaluates and manages climate-related risks and opportunities, integrates climate-related factors into strategic planning, formulates and implements green finance-related policies, builds a green bank image, and assists in the society’s low-carbon transition and green and high-quality development.

#### (i)(a) Board Oversight

The Head Office pays close attention to the management, strategies, objectives and progress management of environmental, social, and governance-related issues such as climate change. It has actively identified the possible impacts of its decision-making and operational activities on society and the environment and improved its corporate social responsibility management system. At the same time, the Head Office has promoted the organic integration of the corporate social responsibility concept with the its corporate culture and development strategy. It has also established a routine mechanism for social responsibility information disclosure and worked with stakeholders to create and share diversified values.

The Board of Directors is the top decision-making body for the Head Office’s corporate social responsibility work. In accordance with the authorisation of the Board of Directors and the provisions of the Committee’s working regulations, the Social Responsibility (ESG) and Consumer Protection Committee of the Board of Directors is responsible for the Head Office’s corporate social responsibility strategies and policies, while the Senior Management is in charge of executing the strategies and policies as approved by the Board of Directors. Reports are delivered to the Board of Directors and the Social Responsibility (ESG) and Consumer Protection Committee on a regular basis.

The Head Office has strictly put regulatory requirements into practice, promoted the modernisation of risk management system and governance capacity, and enhanced risk measurement and monitoring. With deeper integration of internal control and operational risk management, it has also built up its risk management digitalisation capability, actively prevented and responded to various risks including climate and environmental risks and promoted high-quality development with risk management. The Head Office has also established a Comprehensive Risk Management and Internal Control Committee to study systemic risks and regional risks, as well as make decisions on major risk management issues.

In addition, to strengthen the top-level design, the Head Office has established the Green Finance Development Committee (“GFDC of the Head Office”) to make decisions and formulate plans on major policies, regulations, and important issues related to the Head Office and subsidiaries’ green finance development. The Board of Directors is the top decision-making body for green finance. The Senior Management is responsible for promoting the development of green finance. The Head Office’s departments, branches and subsidiaries will perform their respective duties to form joint efforts. The Head Office has actively propelled the establishment and improvement of the “Four Mechanisms” and “Five Systems” to comprehensively enhance the development capability of green finance. The GFDC of the Head Office is chaired by the Chairman of the Board and the President of the Head Office and has set up a “Double Carbon” working group to promote the establishment and improvement of a sound climate and environmental risk management system.

## VII. Climate-related risks disclosure (Continued)

### (i) Consideration of Climate Change (Continued)

#### (i)(b) Role of Management

In order to align with the Head Office's risk management strategies, set risk control targets and strengthen risk management, the Branch has established Risk Management Committee ("RMC") at the management level. Through holding quarterly meetings, the RMC collectively reviews and evaluates various risk-related policies such as climate risks defined by the HKMA and major issues related to risk management. The Chief Executive of the Branch serves as the chairman of the RMC, and the vice chairman is the Executive Office member in charge of the Risk Management Department. The responsibilities of the RMC include but are not limited to coordinating the planning and promoting the construction of comprehensive risk management and internal control system, as well as supervising and guiding each business line and department to effectively implement risk management strategies, risk appetite, risk limits, and internal control. It also has responsibilities in reviewing and conducting regular assessments on the Branch's risk status, tracking the implementation of key risk management indicators, and reviewing and evaluating on major risk issues, etc.

According to the Head Office's green finance-related policies, the Branch has established Green Finance Management Committee ("GFMC") at the management level to promote the formulation of the Branch's green finance objectives and strengthen the green finance management. The GFMC is chaired by the Chief Executive of the Branch, and the Deputy Chief Executive in charge of credit and risk is the vice chairman. It collectively reviews and evaluates various objectives, action plans, major issues and topics related to environmental (climate), social and governance risks by holding regular or irregular meetings. The main responsibilities of the GFMC include taking the lead in formulating and promoting the implementation of the Branch's green finance management objectives and action plans, in accordance with the Head Office's green finance development strategies and Hong Kong's local regulatory requirements. It's also responsible for coordinating the planning and promoting the construction of institutional mechanisms for green finance, evaluating the governance and development situation of green finance regularly, and tracking the implementation status of major regulatory indicators, etc.

When a climate risk event occurs or a climate risk regulatory standard is issued, the RMC will timely report in regular meetings. If the situation is urgent or there are multiple departments involved in the topic, the Branch will hold a GFMC meeting to invite all the relevant departments to participate in the discussion. The issues discussed in the RMC and GFMC meetings will be implemented immediately after being approved respectively by these two committees or reported to the Head Office for approval before implementation. Furthermore, the Branch will regularly report to the Head Office the issues discussed and decisions made of the RMC and GFMC meetings.

#### (i)(c) Target Planning for Climate-related Issues

The Head Office has incorporated the climate-related issues into the processes of formulating major strategies, identifying and making management policies for climate risks and opportunities, establishing a comprehensive risk management system, supervising capital use and asset allocation, innovating and developing businesses, and monitoring the implementation and execution status of strategies.

To further support the national carbon emission reduction and Hong Kong's 2050 carbon neutrality development goal, the Branch thoroughly implement the integration of the green and low-carbon concept into all aspects of operation and management; by 2030, significantly reduce the carbon intensity of its own operation and asset portfolio, and serve the concept of carbon neutrality at a high level.

To steadily improve the green credit ratio, the Branch has added the climate risk indicator of "Green Asset Proportion" to the risk appetite statement after review and approval by the RMC. This indicator is monitored quarterly and reviewed at least once a year to align with the Branch's development pace and macroeconomic situation.

## VII. Climate-related risks disclosure (Continued)

### (ii) Climate-related Risks

The climate-related risks faced by the Branch can be categorised into physical risks and transition risks. Physical risks may have financial impacts on the Branch arising from increasingly frequent extreme weather events such as hurricanes, cyclones or floods, or long-term shifts in climate patterns which may cause rising sea levels or chronic heat waves. Transition risk refers to that in response to climate change, the completion of low-carbon economy transition may involve changes in policies and laws, technology and market, which may affect the Branch's financial performance and reputation. Currently the climate-related risks identified include greater difficulty for risk management, increased pressure on reputation, and more complex stress testing, etc. Climate-related opportunities include that the green and low-carbon transitions encourage new development drivers and bring new varieties of business, etc.

Complying with the climate change management framework set up by the Head Office, the Branch has identified the climate-related risk factors and regularly assessed and monitored the potential financial impact of climate-related risks on it. The Branch has also clarified the management responsibilities for the identified climate risk factors and served the climate and environmental risk management as an important part of the Branch's medium and long-term planning. At the same time, measures such as risk monitoring, stress testing, green ratings, and climate risk reserves will be studied and utilised continuously to strengthen the Branch's capabilities of risk identification and risk resistance and enhance the risk management in high carbon emissions industries.

To enhance the resilience of development strategies under different climate change scenarios, the Head Office has set out principles for incorporating climate-related risks into stress test scenarios, and conducted stress testing for various physical risks and transition risks:

- Physical risk stress testing: Through exerting pressure on the forecast for climate scenario of Hong Kong in mid-twenty-first century, transmitting to the collateral value of property held by the Branch, and increasing the Loss Given Default of property mortgage loans to affect the ECL of loans, it was found that the majority of properties held by the Branch as collateral are located in areas less influenced by tropical cyclones. The impact of physical risks on ECL is immaterial.
- Transition risk stress testing: Through exerting pressure on the loan customers and bond issuers' financial abilities and conducting credit ratings to affect the ECL of loans and market value of bond investments among the Branch's 12 high carbon emission industries (energy, thermal power, power transmission, metal and mining, cement, steel, glass, paper, construction, real estate development, aviation, shipping), it turns out that the impact of transition risks on ECL is immaterial.

Based on the results of stress testing, physical risks and transition risks at present have no material financial impact on the Branch. The Branch will regularly review the materiality of climate-related risks, and gradually promote the development of ECL models to assess, manage and monitor climate-related risks in a more comprehensive way.

## SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)

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

	<b>31 Dec 2022</b> <b>CNY million</b>	30 Jun 2022 CNY million (Unaudited)
Total loans and advances	<b>7,136,677</b>	6,923,521
Total customer deposits	<b>7,949,072</b>	7,811,363
Total assets	<b>12,992,419</b>	12,580,576
Total liabilities	<b>11,956,679</b>	11,591,640
Shareholders' equity	<b>1,023,409</b>	976,543
Capital adequacy ratio	<b>14.97%</b>	14.49%

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

	<b>31 Dec 2022</b> <b>(12 months)</b> <b>CNY million</b>	31 Dec 2021 (12 months) CNY million
Pre-tax profit	<b>98,215</b>	93,959