

BANK OF COMMUNICATIONS (HONG KONG) LIMITED, A LICENSED BANK
(incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

30 JUNE 2018

(UNAUDITED)

These disclosures are prepared under the Banking (Disclosure) Rules

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

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The following disclosures contained all disclosures required by the Banking (Disclosure) Rules and disclosure templates issued by the HKMA. This disclosure statement is presented in thousands of Hong Kong Dollars (HK\$), unless otherwise stated.

Key prudential ratios and overview of RWA

KM1: Key prudential ratios

| | | 30 Jun 2018 | 31 Mar 2018 | 31 Dec 2017 | 30 Sep 2017 | 30 Jun 2017 |
|------|---|-------------|-------------|-------------|-------------|-------------|
| | | | | (Note) | | |
| | Regulatory capital (amount) | | | | | |
| 1. | Common Equity Tier 1 (CET1) | 17,511,408 | 7,392,057 | N/A | N/A | N/A |
| 2. | Tier 1 | 17,511,408 | 7,392,057 | N/A | N/A | N/A |
| 3. | Total capital | 20,084,226 | 9,973,311 | N/A | N/A | N/A |
| | RWA (amount) | | | | | |
| 4. | Total RWA | 60,726,985 | 58,578,482 | N/A | N/A | N/A |
| | Risk-based regulatory capital ratios (as a percentage of RWA) | | | | | |
| 5. | CET1 ratio (%) | 28.84% | 12.62% | N/A | N/A | N/A |
| 6. | Tier 1 ratio (%) | 28.84% | 12.62% | N/A | N/A | N/A |
| 7. | Total capital ratio (%) | 33.07% | 17.03% | N/A | N/A | N/A |
| | Additional CET1 buffer requirements (as a percentage of RWA) | | | | | |
| 8. | Capital conservation buffer requirement (%) | 1.875% | 1.875% | N/A | N/A | N/A |
| 9. | Countercyclical capital buffer requirement (%) | 1.687% | 1.739% | N/A | N/A | N/A |
| 10. | Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs) | 0.000% | 0.000% | N/A | N/A | N/A |
| 11. | Total AI-specific CET1 buffer requirements (%) | 3.562% | 3.614% | N/A | N/A | N/A |
| 12. | CET1 available after meeting the AI's minimum capital requirements (%) | 22.84% | 6.62% | N/A | N/A | N/A |
| | Basel III leverage ratio | | | | | |
| 13. | Total leverage ratio (LR) exposure measure | 186,046,438 | 196,149,668 | N/A | N/A | N/A |
| 14. | LR (%) | 9.41% | 3.77% | N/A | N/A | N/A |
| | Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 15. | Total high quality liquid assets (HQLA) | 35,739,131 | 46,761,565 | N/A | N/A | N/A |
| 16. | Total net cash outflows | 16,437,410 | 16,072,981 | N/A | N/A | N/A |
| 17. | LCR (%) | 234.12% | 298.91% | N/A | N/A | N/A |
| | Applicable to category 2 institution only: | | | | | |
| 17a. | LMR (%) | N/A | N/A | N/A | N/A | N/A |
| | Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR) | | | | | |
| | Applicable to category 1 institution only: | | | | | |
| 18. | Total available stable funding | 154,080,500 | 163,367,671 | N/A | N/A | N/A |
| 19. | Total required stable funding | 83,264,206 | 87,500,473 | N/A | N/A | N/A |
| 20. | NSFR (%) | 185.05% | 186.70% | N/A | N/A | N/A |
| | Applicable to category 2A institution only: | | | | | |
| 20a. | CFR (%) | N/A | N/A | N/A | N/A | N/A |

Note: Under section 3(14A) of the Banking (Disclosure) Rules ("the Disclosure Rules"), the Company is exempted from the application of the Disclosure Rules as it has not yet commenced its banking business until 29 January 2018. As such, no comparative figures before business commencement are available and no explanation of material changes is applicable.

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Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

| | | RWA | | Minimum capital requirements |
|------|--|----------------------|----------------------|------------------------------|
| | | As at 30 Jun 2018 | As at 31 Mar 2018 | As at 30 Jun 2018 |
| 1. | Credit risk for non-securitization exposures | 53,257,798 | 51,230,133 | 4,260,624 |
| 2. | Of which STC approach | 53,257,798 | 51,230,133 | 4,260,624 |
| 2a. | Of which BSC approach | - | - | - |
| 3. | Of which foundation IRB approach | - | - | - |
| 4. | Of which supervisory slotting criteria approach | - | - | - |
| 5. | Of which advanced IRB approach | - | - | - |
| 6. | Counterparty default risk and default fund contributions | 438,524 | 355,949 | 35,082 |
| 7. | Of which SA-CCR* | Not applicable | Not applicable | - |
| 7a. | Of which CEM | 438,524 | 355,949 | 35,082 |
| 8. | Of which IMM(CCR) approach | - | - | - |
| 9. | Of which others | - | - | - |
| 10. | CVA risk | 110,450 | 119,675 | 8,836 |
| 11. | Equity positions in banking book under the simple risk-weight method and internal models method | - | - | - |
| 12. | Collective investment scheme (“CIS”) exposures – LTA* | Not applicable | Not applicable | - |
| 13. | CIS exposures – MBA* | Not applicable | Not applicable | - |
| 14. | CIS exposures – FBA* | Not applicable | Not applicable | - |
| 14a. | CIS exposures – combination of approaches* | Not applicable | Not applicable | - |
| 15. | Settlement risk | - | - | - |
| 16. | Securitization exposures in banking book | - | - | - |
| 17. | Of which SEC-IRBA | - | - | - |
| 18. | Of which SEC-ERBA | - | - | - |
| 19. | Of which SEC-SA | - | - | - |
| 19a. | Of which SEC-FBA | - | - | - |
| 20. | Market risk | 578,163 | 333,325 | 46,253 |
| 21. | Of which STM approach | 578,163 | 333,325 | 46,253 |
| 22. | Of which IMM approach | - | - | - |
| 23. | Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)* | Not applicable | Not applicable | - |
| 24. | Operational risk | 6,342,050 | 6,539,400 | 507,364 |
| 25. | Amounts below the thresholds for deduction (subject to 250% RW) | - | - | - |
| 26. | Capital floor adjustment | - | - | - |
| 26a. | Deduction to RWA | - | - | - |
| 26b. | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital | - | - | - |
| 26c. | Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital | - | - | - |
| 27. | Total | 60,726,985 | 58,578,482 | 4,858,159 |

Point to note: Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, “Not applicable” should be reported in the rows.

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Composition of regulatory capital

CC1: Composition of regulatory capital

| | | Amount | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation |
|---|---|----------------|--|
| CET1 capital: instruments and reserves | | | |
| 1. | Directly issued qualifying CET1 capital instruments plus any related share premium | 17,900,000 | (9) |
| 2. | Retained earnings | 30,796 | (11) |
| 3. | Disclosed reserves | 16,392 | (10) |
| 4. | <i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i> | Not applicable | Not applicable |
| 5. | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group) | - | - |
| 6. | CET1 capital before regulatory adjustments | 17,947,188 | - |
| CET1 capital: regulatory deductions | | | |
| 7. | Valuation adjustments | - | - |
| 8. | Goodwill (net of associated deferred tax liabilities) | - | - |
| 9. | Other intangible assets (net of associated deferred tax liabilities) | - | - |
| 10. | Deferred tax assets (net of associated deferred tax liabilities) | 8,798 | (4) |
| 11. | Cash flow hedge reserve | - | - |
| 12. | Excess of total EL amount over total eligible provisions under the IRB approach | - | - |
| 13. | Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions | - | - |
| 14. | Gains and losses due to changes in own credit risk on fair valued liabilities | 453 | (3)+(7) |
| 15. | Defined benefit pension fund net assets (net of associated deferred tax liabilities) | - | - |
| 16. | Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) | - | - |
| 17. | Reciprocal cross-holdings in CET1 capital instruments | - | - |
| 18. | Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 19. | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 20. | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 21. | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

| | | Amount | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation |
|------|---|----------------|--|
| 22. | Amount exceeding the 15% threshold | Not applicable | Not applicable |
| 23. | of which: significant investments in the ordinary share of financial sector entities | Not applicable | Not applicable |
| 24. | of which: mortgage servicing rights | Not applicable | Not applicable |
| 25. | of which: deferred tax assets arising from temporary differences | Not applicable | Not applicable |
| 26. | National specific regulatory adjustments applied to CET1 capital | 426,529 | - |
| 26a. | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) | - | - |
| 26b. | Regulatory reserve for general banking risks | 426,529 | (12) |
| 26c. | Securitization exposures specified in a notice given by the MA | - | - |
| 26d. | Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings | - | - |
| 26e. | Capital shortfall of regulated non-bank subsidiaries | - | - |
| 26f. | Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) | - | - |
| 27. | Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions | - | - |
| 28. | Total regulatory deductions to CET1 capital | 435,780 | - |
| 29. | CET1 capital | 17,511,408 | - |
| | AT1 capital: instruments | | |
| 30. | Qualifying AT1 capital instruments plus any related share premium | - | - |
| 31. | of which: classified as equity under applicable accounting standards | - | - |
| 32. | of which: classified as liabilities under applicable accounting standards | - | - |
| 33. | <i>Capital instruments subject to phase-out arrangements from AT1 capital</i> | - | - |
| 34. | AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group) | - | - |
| 35. | <i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i> | - | - |
| 36. | AT1 capital before regulatory deductions | - | - |
| | AT1 capital: regulatory deductions | | |
| 37. | Investments in own AT1 capital instruments | - | - |
| 38. | Reciprocal cross-holdings in AT1 capital instruments | - | - |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

| | | Amount | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation |
|------|--|------------|--|
| 39. | Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 40. | Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | - | - |
| 41. | National specific regulatory adjustments applied to AT1 capital | - | - |
| 42. | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions | - | - |
| 43. | Total regulatory deductions to AT1 capital | - | - |
| 44. | AT1 capital | - | - |
| 45. | Tier 1 capital (T1 = CET1 + AT1) | 17,511,408 | - |
| | Tier 2 capital: instruments and provisions | | |
| 46. | Qualifying Tier 2 capital instruments plus any related share premium | 2,000,000 | (6) |
| 47. | <i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i> | - | - |
| 48. | Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group) | - | - |
| 49. | <i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i> | - | - |
| 50. | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital | 572,818 | (8)+(12)-(1)-(2)- (5) |
| 51. | Tier 2 capital before regulatory deductions | 2,572,818 | - |
| | Tier 2 capital: regulatory deductions | | |
| 52. | Investments in own Tier 2 capital instruments | - | - |
| 53. | Reciprocal cross-holdings in Tier 2 capital instruments | - | - |
| 54. | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 55. | Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - |
| 56. | National specific regulatory adjustments applied to Tier 2 capital | - | - |
| 56a. | Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital | - | - |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

| | | Amount | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation |
|-----|--|----------------|--|
| 57. | Total regulatory adjustments to Tier 2 capital | - | - |
| 58. | Tier 2 capital (T2) | 2,572,818 | - |
| 59. | Total regulatory capital (TC = T1 + T2) | 20,084,226 | - |
| 60. | Total RWA | 60,726,985 | - |
| | Capital ratios (as a percentage of RWA) | | |
| 61. | CET1 capital ratio | 28.84% | - |
| 62. | Tier 1 capital ratio | 28.84% | - |
| 63. | Total capital ratio | 33.07% | - |
| 64. | Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements) | 3.562% | - |
| 65. | of which: capital conservation buffer requirement | 1.875% | - |
| 66. | of which: bank specific countercyclical capital buffer requirement | 1.687% | - |
| 67. | of which: higher loss absorbency requirement | 0.000% | - |
| 68. | CET1 (as a percentage of RWA) available after meeting minimum capital requirements | 22.84% | - |
| | National minima (if different from Basel 3 minimum) | | |
| 69. | National CET1 minimum ratio | Not applicable | Not applicable |
| 70. | National Tier 1 minimum ratio | Not applicable | Not applicable |
| 71. | National Total capital minimum ratio | Not applicable | Not applicable |
| | Amounts below the thresholds for deduction (before risk weighting) | | |
| 72. | Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | 10,673 | - |
| 73. | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation | - | - |
| 74. | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 75. | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| | Applicable caps on the inclusion of provisions in Tier 2 capital | | |
| 76. | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap) | 572,818 | - |
| 77. | Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA | 671,204 | - |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

| | | Amount | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation |
|-----|--|----------------|--|
| 78. | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap) | - | - |
| 79. | Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA | - | - |
| | Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | | |
| 80. | <i>Current cap on CET1 capital instruments subject to phase-out arrangements</i> | Not applicable | Not applicable |
| 81. | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | Not applicable | Not applicable |
| 82. | <i>Current cap on AT1 capital instruments subject to phase-out arrangements</i> | - | - |
| 83. | <i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i> | - | - |
| 84. | <i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i> | - | - |
| 85. | <i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i> | - | - |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template

| | Description | Hong Kong basis | Basel III basis |
|-----|--|------------------------|------------------------|
| 9. | Other intangible assets (net of associated deferred tax liabilities) | - | - |
| | <p><u>Explanation</u> As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (“MSRs”) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI’s financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 9 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p> | | |
| 10. | Deferred tax assets (net of associated deferred tax liabilities) | 8,798 | - |
| | <p><u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column “Basel III basis” in this box represents the amount reported in row 10 (i.e. the amount reported under the “Hong Kong basis”) adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p> | | |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

| | Description | Hong Kong basis | Basel III basis |
|-----|---|-----------------|-----------------|
| 18. | Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| | <p><u>Explanation</u> For the purpose of determining the total amount of insignificant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |
| 19. | Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| | <p><u>Explanation</u> For the purpose of determining the total amount of significant capital investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |

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Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

| | Description | Hong Kong basis | Basel III basis |
|---|--|-----------------|-----------------|
| 39. | Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| | <p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |
| 54. | Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| | <p><u>Explanation</u> The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant capital investments in Tier 2 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</p> | | |
| <p>Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</p> | | | |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet

| | Balance sheet as in published financial statements (as at 30 Jun 2018) | Under regulatory scope of consolidation (as at 30 Jun 2018) | Reference |
|---|---|---|-----------|
| Assets | | | |
| Cash and balances with central bank | 2,624,627 | 2,624,627 | |
| Due from banks and other financial institutions | 64,670,088 | 64,670,088 | |
| <i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i> | | (4,926) | (1) |
| Loans and advances to customers | 37,374,635 | 37,374,635 | |
| <i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i> | | (123,957) | (2) |
| Financial assets at fair value through profit or loss | 279,923 | 279,923 | |
| <i>of which: debit valuation adjustments in respects of derivative contracts</i> | | 453 | (3) |
| Financial assets at fair value through other comprehensive income | 75,772,145 | 75,772,145 | |
| Property and equipment | 66,230 | 66,230 | |
| Deferred income tax assets | 8,798 | 8,798 | (4) |
| Other assets | 2,640,645 | 2,640,645 | |
| <i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i> | | (3,167) | (5) |
| | | | |
| Total assets | 183,437,091 | 183,437,091 | |
| Liabilities | | | |
| Due to banks and other financial institutions | 3,349,218 | 3,349,218 | |
| <i>of which: subordinated loan eligible for inclusion in regulatory capital</i> | | 2,000,000 | (6) |
| Financial liabilities at fair value through profit or loss | 232,869 | 232,869 | |
| <i>of which: debit valuation adjustments in respects of derivative contracts</i> | | - | (7) |
| Due to customers | 154,457,880 | 154,457,880 | |
| Current tax liabilities | 6,407 | 6,407 | |
| Other liabilities | 7,443,529 | 7,443,529 | |
| <i>of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital</i> | | 14,239 | (8) |
| | | | |
| Total liabilities | 165,489,903 | 165,489,903 | |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
 (incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet (Continued)

| | Balance sheet as in published financial statements (as at 30 Jun 2018) | Under regulatory scope of consolidation (as at 30 Jun 2018) | Reference |
|--|--|---|------------------|
| Equity | | | |
| Share capital | 17,900,000 | 17,900,000 | (9) |
| Other reserves | 16,392 | 16,392 | (10) |
| Related earnings | 30,796 | 30,796 | (11) |
| <i>of which: regulatory capital for general banking risk</i> | | <i>426,529</i> | <i>(12)</i> |
| | | | |
| Total equity | 17,947,188 | 17,947,188 | |
| | | | |
| Total equity and liabilities | 183,437,091 | 183,437,091 | |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments

| | | Ordinary shares | Tier 2 capital subordinated loan |
|-----|--|--|---|
| 1. | Issuer | Bank of Communications (Hong Kong) Limited | Bank of Communications (Hong Kong) Limited |
| 2. | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | Not applicable | Not applicable |
| 3. | Governing law(s) of the instrument | Hong Kong law | Hong Kong law |
| | <i>Regulatory treatment</i> | | |
| 4. | Transitional Basel III rules | Common Equity Tier 1 | Tier 2 |
| 5. | Post-transitional Basel III rules | Common Equity Tier 1 | Tier 2 |
| 6. | Eligible at solo / group / solo and group | Solo | Solo |
| 7. | Instrument type (types to be specified by each jurisdiction) | Ordinary shares | Other Tier 2 instruments |
| 8. | Amount recognised in regulatory capital (currency in millions, as of most recent reporting date) | HK\$17,900 million | HK\$2,000 million |
| 9. | Par value of instrument | Not applicable | HK\$2,000 million |
| 10. | Accounting classification | Shareholders' equity | Liability - amortised cost |
| 11. | Original date of issuance | 1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015 7,600,000,000 shares issued on 19 January 2018 10,000,000,000 shares issued on 28 June 2018 | 19 January 2018 |
| 12. | Perpetual or dated | Perpetual | Dated |
| 13. | Original maturity date | No maturity | 19 January 2028 |
| 14. | Issuer call subject to prior supervisory approval | No | Yes |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

| | | Ordinary shares | Tier 2 capital subordinated loan |
|-----|---|---------------------|---|
| 15. | Optional call date, contingent call dates and redemption amount | Not applicable | The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023, at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment. In addition, the Borrower may repay the Loan in whole but not in part at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment for taxation reasons, tax deductions reasons and regulatory reasons. Prepayment is subject to prior written consent of the Hong Kong Monetary Authority. |
| 16. | Subsequent call dates, if applicable | No | The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023. |
| | <i>Coupons / dividends</i> | | |
| 17. | Fixed or floating dividend / coupon | Not applicable | Floating |
| 18. | Coupon rate and any related index | Not applicable | The rate of interest on the Loan for each interest period shall be the percentage rate per annum which is the aggregate of 1.50 per cent per annum and three-month HIBOR. |
| 19. | Existence of a dividend stopper | Not applicable | No |
| 20. | Fully discretionary, partially discretionary or mandatory | Fully discretionary | Mandatory |
| 21. | Existence of step-up or other incentive to redeem | Not applicable | No |
| 22. | Non-cumulative or cumulative | Non-cumulative | Cumulative |
| 23. | Convertible or non-convertible | Non-convertible | Non-convertible |
| 24. | If convertible, conversion trigger(s) | Not applicable | Not applicable |
| 25. | If convertible, fully or partially | Not applicable | Not applicable |
| 26. | If convertible, conversion rate | Not applicable | Not applicable |
| 27. | If convertible, mandatory or optional conversion | Not applicable | Not applicable |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

| | | Ordinary shares | Tier 2 capital subordinated loan |
|-----|---|-----------------|--|
| 28. | If convertible, specify instrument type convertible into | Not applicable | Not applicable |
| 29. | If convertible, specify issuer of instrument it converts into | Not applicable | Not applicable |
| 30. | Write-down feature | No | Yes |
| 31. | If write-down, write-down trigger(s) | Not applicable | If a Non-Viability Event occurs and is continuing, "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Borrower in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Borrower would become non-viable; and (b) the Monetary Authority notifying the Borrower in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Borrower would become non-viable. |
| 32. | If write-down, full or partial | Not applicable | Always be written down fully |
| 33. | If write-down, permanent or temporary | Not applicable | Permanent |
| 34. | If temporary write-down, description of write-up mechanism | Not applicable | Not applicable |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

| | | Ordinary shares | Tier 2 capital subordinated loan |
|-----|---|---|---|
| 35. | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). | Represents the most subordinated claim in liquidation | In the event of a Winding-Up of the Borrower, the right of the Lender to payment of principal and interest on the Loan, and any other obligations in respect of the Loan, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Borrower (including its depositors), and (b) all other subordinated creditors of the Borrower whose claims are stated to rank senior to the Loan or rank senior to the Loan by operation of law or contract; (ii) pari passu in right of payment to, and all claims of, holders of any instrument or other obligation issued or entered into by the Borrower that constitutes or qualifies as a Tier 2 capital instruments or any instrument or other obligation issued, entered into, or guaranteed by the Borrower that ranks or is expressed to rank pari passu with the Loan by operation of law or contract; (iii) senior in right of payment to, and all claims of, (a) shareholders, and holders of any other class of the Borrower's share capital, and any instrument or other obligation issued or guaranteed by the Borrower that ranks or is expressed to rank junior to the Loan by operation of law or contract; and (b) holders of Tier 1 capital instruments of the Borrower. The Loan constitutes unsecured obligations of the Borrower. |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

| | | Ordinary shares | Tier 2 capital subordinated loan |
|-----|--|---------------------------------|--------------------------------------|
| 36. | Non-compliant transitioned features | No | No |
| 37. | If yes, specify non-compliant features | Not applicable | Not applicable |
| | Full terms and conditions of capital instruments | Ordinary shares | Tier 2 loan due 2028 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

| | Geographical breakdown by Jurisdiction (J) | Applicable JCCyB ratio in effect (%) | RWA used in computation of CCyB ratio | AI-specific CCyB ratio (%) | CCyB amount |
|----|---|---|--|-----------------------------------|--------------------|
| 1. | Hong Kong SAR | 1.875% | 23,776,708 | | |
| 2. | Sweden | 2.000% | 705 | | |
| 3. | United Kingdom | 0.500% | 1,863 | | |
| 4. | Sum | | 23,779,276 | | |
| 5. | Total | | 26,423,457 | 1.687% | 1,024,464 |

Leverage ratio

LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

| | Item | Value under the LR framework (HK\$ equivalent) |
|-----------|--|---|
| 1. | Total consolidated assets as per published financial statements | 183,437,091 |
| 2. | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | - |
| 3. | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure | - |
| 4. | Adjustments for derivative contracts | 454,333 |
| 5. | Adjustment for SFTs (i.e. repos and similar secured lending) | - |
| 6. | Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures) | 2,427,031 |
| 6a. | Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure | - |
| 7. | Other adjustments | (272,017) |
| 8. | Leverage ratio exposure measure | 186,046,438 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Leverage ratio (Continued)

LR2: Leverage ratio (“LR”)

| | | HK\$ equivalent | |
|--|--|-----------------|-------------|
| | | 30 Jun 2018 | 31 Mar 2018 |
| On-balance sheet exposures | | | |
| 1. | On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral) | 183,345,502 | 193,351,153 |
| 2. | Less: Asset amounts deducted in determining Tier 1 capital | (435,780) | (436,834) |
| 3. | Total on-balance sheet exposures (excluding derivative contracts and SFTs) | 182,909,722 | 192,914,319 |
| Exposures arising from derivative contracts | | | |
| 4. | Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting) | 255,352 | 187,584 |
| 5. | Add-on amounts for PFE associated with all derivative contracts | 468,769 | 473,896 |
| 6. | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | - | - |
| 7. | Less: Deductions of receivables assets for cash variation margin provided under derivative contracts | (14,436) | - |
| 8. | Less: Exempted CCP leg of client-cleared trade exposures | - | - |
| 9. | Adjusted effective notional amount of written credit derivative contracts | - | - |
| 10. | Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts | - | - |
| 11. | Total exposures arising from derivative contracts | 709,685 | 661,480 |
| Exposures arising from SFTs | | | |
| 12. | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | - | - |
| 13. | Less: Netted amounts of cash payables and cash receivables of gross SFT assets | - | - |
| 14. | CCR exposure for SFT assets | - | - |
| 15. | Agent transaction exposures | - | - |
| 16. | Total exposures arising from SFTs | - | - |
| Other off-balance sheet exposures | | | |
| 17. | Off-balance sheet exposure at gross notional amount | 10,583,264 | 10,965,809 |
| 18. | Less: Adjustments for conversion to credit equivalent amounts | (8,156,233) | (8,391,940) |
| 19. | Off-balance sheet items | 2,427,031 | 2,573,869 |
| Capital and total exposures | | | |
| 20. | Tier 1 capital | 17,511,408 | 7,392,057 |
| 20a. | Total exposures before adjustments for specific and collective provisions | 186,046,438 | 196,149,668 |
| 20b. | Adjustments for specific and collective provisions | - | - |
| 21. | Total exposures after adjustments for specific and collective provisions | 186,046,438 | 196,149,668 |
| Leverage ratio | | | |
| 22. | Leverage ratio | 9.41% | 3.77% |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity

| | 30 June 2018 (6 months) |
|---|----------------------------|
| Average liquidity coverage ratio (“LCR”) | |
| - First quarter | 298.91% |
| - Second quarter | 234.12% |
| Average liquidity coverage ratio for the period | 260.14% |
| Net stable funding ratio (“NSFR”) | |
| - First quarter end | 186.70% |
| - Second quarter end | 185.05% |

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

The Bank's average LCR for the period is 260.14%. It is well above the regulatory requirement of 90%. The Bank's NSFR for the first two quarter ends of year 2018 is 186.70% and 185.05% respectively. It is well above the regulatory requirement of 100%.

In the second quarter of 2018, the Bank's LCR declined as a result of decrease in HQLA portfolio.

NSFR remained stable in the first two quarter ends of year 2018.

Level 1 HQLA is the major component of the Bank's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills/Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2A, which include corporate bonds with high credit rating. Customer deposit is the major component of the Bank's ASF source.

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

The Bank 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 Bank has established internal monitoring limit on Level 1 HQLA 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 Bank 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.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Liquidity (Continued)

Liquidity risk management

Funding liquidity risk relates to the Bank'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 Bank's capacity to support deposit withdrawal or drawdown on loan commitments. Effective liquidity risk management helps to sustain the expansion of the Bank's business with liquidity cost and risk under control. The Bank 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 Bank 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 Bank's funding sources is customer deposit. The Bank strives to build up core deposits while diversifying funding sources via various funding channels to enhance financing capacity. Regarding liquidity arrangement with parent bank, the Bank performs regular funding transfer with parent bank 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, internal limits to control the Bank's reliance on parent bank's funding are in place.

The majority of the liquidity risk of the Bank 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 Bank closely monitors off-balance sheet funding obligations (such as commitments or letters of guarantee) and assesses their impact to our liquidity capacity. Furthermore, the Bank strives to maintain high marketability of the asset portfolio to allow prompt monetization in case of unforeseeable liquidity crunch in the market.

The Bank has in place various limits and indicators for liquidity risk, including liquidity coverage ratio, loan-to-deposit ratio, interbank borrowing utilization ratio, etc. for effective identification and control of liquidity risk. The Bank utilizes relevant management information systems to perform daily liquidity risk management functions. Moreover, the Bank performs daily cash flow analysis to assess liquidity in normal circumstances, and performs regular stress test (at least monthly) to evaluate the Bank'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 Bank'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 Bank has set up early warning indicator system, and movement of relevant indicators are closely monitored on a regular basis. In case of liquidity crisis emerges, the Bank's Crisis Management Committee will be formed to formulate appropriate contingency funding plan to resolve the crisis. The Bank 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 Bank 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.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Liquidity (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution

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 | |
|--|--|-------------------------------|-----------------------------|
| Basis of disclosure: Hong Kong office | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1. | Total HQLA | | 35,739,131 |
| B. Cash outflows | | | |
| 2. | Retail deposits and small business funding, of which: | 151,003,126 | 11,287,513 |
| 3. | <i>Stable retail deposits and stable small business funding</i> | 6,742,816 | 337,141 |
| 4. | <i>Less stable retail deposits and less stable small business funding</i> | 74,747,132 | 7,474,713 |
| 4a. | <i>Retail term deposits and small business term funding</i> | 69,513,178 | 3,475,659 |
| 5. | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 13,692,163 | 8,229,096 |
| 6. | <i>Operational deposits</i> | - | - |
| 7. | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 13,692,163 | 8,229,096 |
| 8. | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | - | - |
| 9. | Secured funding transactions (including securities swap transactions) | | - |
| 10. | Additional requirements, of which: | 10,107,276 | 549,468 |
| 11. | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 30,833 | 30,833 |
| 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> | 10,076,443 | 518,635 |
| 14. | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 2,975,468 | 2,975,468 |
| 15. | Other contingent funding obligations (whether contractual or non-contractual) | 751,855 | 7,304 |
| 16. | Total Cash Outflows | | 23,048,849 |
| C. Cash Inflows | | | |
| 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 | 96,001,040 | 4,432,013 |
| 19. | Other cash inflows | 2,217,728 | 2,217,728 |
| 20. | Total Cash Inflows | 98,218,768 | 6,649,741 |
| D. Liquidity Coverage Ratio | | Adjusted value | |
| 21. | Total HQLA | | 35,739,131 |
| 22. | Total Net Cash Outflows | | 16,437,410 |
| 23. | LCR (%) | | 234.12% |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Liquidity (Continued)

LIQ1: Liquidity Coverage Ratio – 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 : (49) Note | | HK\$'000 | |
|---|--|--------------------------------------|------------------------------------|
| Basis of disclosure: Hong Kong office | | Unweighted value (average) | Weighted value (average) |
| A. HQLA | | | |
| 1. | Total HQLA | | 46,761,565 |
| B. Cash outflows | | | |
| 2. | Retail deposits and small business funding, of which: | 167,106,682 | 12,385,172 |
| 3. | <i>Stable retail deposits and stable small business funding</i> | 7,008,011 | 350,401 |
| 4. | <i>Less stable retail deposits and less stable small business funding</i> | 80,596,750 | 8,059,675 |
| 4a. | <i>Retail term deposits and small business term funding</i> | 79,501,921 | 3,975,096 |
| 5. | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: | 13,874,689 | 8,483,981 |
| 6. | <i>Operational deposits</i> | - | - |
| 7. | <i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i> | 13,874,689 | 8,483,981 |
| 8. | <i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i> | - | - |
| 9. | Secured funding transactions (including securities swap transactions) | | - |
| 10. | Additional requirements, of which: | 8,407,647 | 451,435 |
| 11. | <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i> | 25,724 | 25,724 |
| 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> | 8,381,923 | 425,711 |
| 14. | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows | 3,657,239 | 3,657,239 |
| 15. | Other contingent funding obligations (whether contractual or non-contractual) | 480,557 | 8,483 |
| 16. | Total Cash Outflows | | 24,986,310 |
| C. Cash Inflows | | | |
| 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 | 98,115,917 | 6,634,134 |
| 19. | Other cash inflows | 2,279,195 | 2,279,195 |
| 20. | Total Cash Inflows | 100,395,112 | 8,913,329 |
| D. Liquidity Coverage Ratio | | Adjusted value | |
| 21. | Total HQLA | | 46,761,565 |
| 22. | Total Net Cash Outflows | | 16,072,981 |
| 23. | LCR (%) | | 298.91% |

Note: Under section 3(14A) of the Banking (Disclosure) Rules (“the Disclosure Rules”), the Company is exempted from the application of the Disclosure Rules as it has not yet commenced its banking business until 29 January 2018.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Liquidity (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

2018 second quarter end (HK\$'000):

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---|--|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| A. Available stable funding (“ASF”) item | | | | | | |
| 1. | Capital: | 18,093,477 | 11,346 | - | 2,000,000 | 20,093,477 |
| 2. | <i>Regulatory capital</i> | 18,093,477 | 11,346 | - | 2,000,000 | 20,093,477 |
| 2a. | <i>Minority interests not covered by row 2</i> | - | - | - | - | - |
| 3. | Other capital instruments | - | - | - | - | - |
| 4. | Retail deposits and small business funding: | - | 126,422,509 | 14,786,192 | 95,272 | 127,613,830 |
| 5. | <i>Stable deposits</i> | - | 8,150,843 | 463,712 | 3,493 | 8,187,320 |
| 6. | <i>Less stable deposits</i> | - | 118,271,666 | 14,322,480 | 91,779 | 119,426,510 |
| 7. | Wholesale funding: | - | 14,486,119 | 835,278 | - | 6,373,193 |
| 8. | <i>Operational deposits</i> | - | - | - | - | - |
| 9. | <i>Other wholesale funding</i> | - | 14,486,119 | 835,278 | - | 6,373,193 |
| 10. | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11. | Other liabilities: | 3,668,483 | 2,946,146 | - | - | - |
| 12. | <i>Net derivative liabilities</i> | - | - | - | - | - |
| 13. | <i>All other funding and liabilities not included in the above categories</i> | 3,668,483 | 2,946,146 | - | - | - |
| 14. | Total ASF | | | | | 154,080,500 |
| B. Required stable funding (“RSF”) item | | | | | | |
| 15. | Total HQLA for NSFR purposes | 412,030 | 50,655,350 | 1,971 | 3,104,059 | 343,611 |
| 16. | Deposits held at other financial institutions for operational purposes | - | 33,251,670 | - | - | 16,625,835 |
| 17. | Performing loans and securities: | 2,569,091 | 19,720,095 | 3,396,074 | 67,370,191 | 64,178,371 |
| 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> | - | 17,124,922 | 3,353 | 15,007,203 | 17,577,618 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity (Continued)

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

2018 second quarter end (HK\$'000): (Continued)

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---------------------------------------|--|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 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> | 2,569,091 | 786,888 | 580,307 | 17,317,151 | 17,354,341 |
| 21. | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | 1,018,204 | 70,783 | 41,466 | 144,607 | 811,952 |
| 22. | <i>Performing residential mortgages, of which:</i> | - | 456,381 | 442,530 | 14,264,492 | 9,721,375 |
| 23. | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | - | 456,381 | 442,530 | 14,264,492 | 9,721,375 |
| 24. | <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i> | - | 1,351,904 | 2,369,884 | 20,781,345 | 19,525,037 |
| 25. | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26. | Other assets: | 1,485,596 | 1,609,041 | - | - | 1,626,393 |
| 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> | - | - | - | - | - |
| 29. | <i>Net derivative assets</i> | 30,880 | - | - | - | 30,880 |
| 30. | <i>Total derivative liabilities before deduction of variation margin posted</i> | 249,182 | - | - | - | N/A |
| 31. | <i>All other assets not included in the above categories</i> | 1,205,534 | 1,609,041 | - | - | 1,595,513 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity (Continued)

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

2018 second quarter end (HK\$'000): (Continued)

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---------------------------------------|-------------------------------------|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 32. | Off-balance sheet items | | 13,680 | 4,118 | 10,548,776 | 489,996 |
| 33. | Total RSF | | | | | 83,264,206 |
| 34. | Net Stable Funding Ratio (%) | | | | | 185.05% |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity (Continued)

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

2018 first quarter end (HK\$'000):

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---|--|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| A. Available stable funding (“ASF”) item | | | | | | |
| 1. | Capital: | 7,997,016 | - | - | 2,010,720 | 10,007,736 |
| 2. | <i>Regulatory capital</i> | 7,997,016 | - | - | 2,010,720 | 10,007,736 |
| 2a. | <i>Minority interests not covered by row 2</i> | - | - | - | - | - |
| 3. | Other capital instruments | - | - | - | - | - |
| 4. | Retail deposits and small business funding: | - | 150,632,086 | 12,092,385 | 3,575 | 146,912,156 |
| 5. | <i>Stable deposits</i> | - | 8,783,376 | 347,768 | 515 | 8,675,102 |
| 6. | <i>Less stable deposits</i> | - | 141,848,710 | 11,744,617 | 3,060 | 138,237,054 |
| 7. | Wholesale funding: | - | 16,413,234 | 399,450 | - | 6,447,779 |
| 8. | <i>Operational deposits</i> | - | - | - | - | - |
| 9. | <i>Other wholesale funding</i> | - | 16,413,234 | 399,450 | - | 6,447,779 |
| 10. | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11. | Other liabilities: | 2,473,408 | 1,316,103 | - | - | - |
| 12. | <i>Net derivative liabilities</i> | 76,185 | - | - | - | - |
| 13. | <i>All other funding and liabilities not included in the above categories</i> | 2,397,223 | 1,316,103 | - | - | - |
| 14. | Total ASF | | | | | 163,367,671 |
| B. Required stable funding (“RSF”) item | | | | | | |
| 15. | Total HQLA for NSFR purposes | 509,185 | 37,091,077 | - | 3,005,401 | 408,565 |
| 16. | Deposits held at other financial institutions for operational purposes | - | 93,465,589 | - | - | 46,732,795 |
| 17. | Performing loans and securities: | 2,451,750 | 8,493,105 | 2,949,124 | 42,524,141 | 38,590,389 |
| 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> | - | 6,090,863 | 278,832 | 8,306 | 1,061,351 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity (Continued)

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

2018 first quarter end (HK\$'000): (Continued)

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---------------------------------------|--|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 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> | 2,451,750 | 1,435,921 | 815,645 | 16,856,274 | 17,229,651 |
| 21. | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | 1,197,560 | 131,940 | 34,981 | 342,205 | 1,084,308 |
| 22. | <i>Performing residential mortgages, of which:</i> | - | 734,440 | 235,870 | 14,608,617 | 9,980,756 |
| 23. | <i>With a risk-weight of less than or equal to 35% under the STC approach</i> | - | 734,440 | 235,870 | 14,608,617 | 9,980,756 |
| 24. | <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i> | - | 231,881 | 1,618,777 | 11,050,944 | 10,318,631 |
| 25. | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26. | Other assets: | 1,270,323 | 1,824,501 | - | - | 1,252,377 |
| 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> | - | - | - | - | - |
| 29. | <i>Net derivative assets</i> | - | - | - | - | - |
| 30. | <i>Total derivative liabilities before deduction of variation margin posted</i> | 270,946 | - | - | - | N/A |
| 31. | <i>All other assets not included in the above categories</i> | 999,377 | 1,824,501 | - | - | 1,252,377 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Liquidity (Continued)

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

2018 first quarter end (HK\$'000): (Continued)

| Basis of disclosure: Hong Kong office | | Unweighted value by residual maturity | | | | Weighted amount |
|---------------------------------------|-------------------------------------|---------------------------------------|----------------------------------|-------------------------|-------------------|-----------------|
| | | No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more | |
| 32. | Off-balance sheet items | | 9,350 | 15 | 11,108,714 | 516,347 |
| 33. | Total RSF | | | | | 87,500,473 |
| 34. | Net Stable Funding Ratio (%) | | | | | 186.70% |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Credit risk for non-securitization exposures

CR1: Credit quality of exposures

| | | Gross carrying amounts of | | Allowances / impairments | Net values |
|-----------|-----------------------------|---------------------------|----------------------------|-----------------------------|-------------|
| | | Defaulted exposures | Non-defaulted exposures | | |
| 1. | Loans | 20,498 | 104,388,481 | (151,659) | 104,257,320 |
| 2. | Debt securities | - | 75,761,472 | - | 75,761,472 |
| 3. | Off-balance sheet exposures | - | 3,508,916 | (14,239) | 3,494,677 |
| 4. | Total | 20,498 | 183,658,869 | (165,898) | 183,513,469 |

CR2: Changes in defaulted loans and debt securities

| | Amount |
|----|---|
| 1. | Defaulted loans and debt securities at 31 December 2017 |
| | - |
| 2. | Loans and debt securities that have defaulted since the last reporting period |
| | 23,803 |
| 3. | Returned to non-defaulted status |
| | - |
| 4. | Amounts written off |
| | (3,305) |
| 5. | Other changes |
| | - |
| 6. | Defaulted loans and debt securities at 30 June 2018 |
| | 20,498 |

CR3: Overview of recognized credit risk mitigation

| | | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by recognized collateral | Exposures secured by recognized guarantees | Exposures secured by recognized credit derivative contracts |
|-----------|--------------------|---|-------------------------------|---|---|--|
| 1. | Loans | 102,307,618 | 1,949,702 | 1,110,652 | 839,050 | - |
| 2. | Debt securities | 75,761,472 | - | - | - | - |
| 3. | Total | 178,069,090 | 1,949,702 | 1,110,652 | 839,050 | - |
| 4. | Of which defaulted | 2,678 | - | - | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Credit risk for non-securitization exposures (Continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

| | Exposure classes | Exposures pre-CCF and pre-CRM | | Exposures post-CCF and post-CRM | | RWA and RWA density | |
|-----|--|-------------------------------|--------------------------|---------------------------------|--------------------------|---------------------|-------------|
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1. | Sovereign exposures | 52,659,711 | - | 53,250,289 | - | 401,063 | 1% |
| 2. | PSE exposures | - | - | 251,400 | - | 50,280 | 20% |
| 2a. | Of which: domestic PSEs | - | - | 251,400 | - | 50,280 | 20% |
| 2b. | Of which: foreign PSEs | - | - | - | - | - | 0% |
| 3. | Multilateral development bank exposures | - | - | - | - | - | 0% |
| 4. | Bank exposures | 88,832,750 | - | 88,832,750 | - | 26,728,064 | 30% |
| 5. | Securities firm exposures | - | - | - | - | - | 0% |
| 6. | Corporate exposures | 7,782,786 | 556,099 | 6,621,746 | 287,511 | 6,781,662 | 98% |
| 7. | CIS exposures | - | - | - | - | - | 0% |
| 8. | Cash items | 412,030 | - | 1,524,437 | - | 179,696 | 12% |
| 9. | Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis | - | - | - | - | - | 0% |
| 10. | Regulatory retail exposures | 9,695,586 | 3,124,763 | 9,284,623 | 1,270,136 | 7,817,625 | 74% |
| 11. | Residential mortgage loans | 15,163,403 | - | 14,889,542 | - | 5,211,340 | 35% |
| 12. | Other exposures which are not past due exposures | 6,034,556 | 6,902,402 | 5,926,035 | 161,950 | 6,083,955 | 100% |
| 13. | Past due exposures | 2,742 | - | 2,742 | - | 4,113 | 150% |
| 14. | Significant exposures to commercial entities | - | - | - | - | - | 0% |
| 15. | Total | 180,583,564 | 10,583,264 | 180,583,564 | 1,719,597 | 53,257,798 | 29% |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Credit risk for non-securitization exposures (Continued)

CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

| | Risk Weight | | | | | | | | | | | Total credit risk exposures amount (post CCF and post CRM) |
|-----|--|------------|-----|------------|------------|------------|------------|------------|-------|------|--------|--|
| | Exposure classes | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | |
| 1. | Sovereign exposures | 51,244,975 | - | 2,005,314 | - | - | - | - | - | - | - | 53,250,289 |
| 2. | PSE exposures | - | - | 251,400 | - | - | - | - | - | - | - | 251,400 |
| 2a. | Of which: domestic PSEs | - | - | 251,400 | - | - | - | - | - | - | - | 251,400 |
| 2b. | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | - |
| 3. | Multilateral development bank exposures | - | - | - | - | - | - | - | - | - | - | - |
| 4. | Bank exposures | - | - | 58,961,037 | - | 29,871,713 | - | - | - | - | - | 88,832,750 |
| 5. | Securities firm exposures | - | - | - | - | - | - | - | - | - | - | - |
| 6. | Corporate exposures | 114,015 | - | 16,974 | - | - | - | 6,778,268 | - | - | - | 6,909,257 |
| 7. | CIS exposures | - | - | - | - | - | - | - | - | - | - | - |
| 8. | Cash items | 625,956 | - | 898,481 | - | - | - | - | - | - | - | 1,524,437 |
| 9. | Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis | - | - | - | - | - | - | - | - | - | - | - |
| 10. | Regulatory retail exposures | 13,315 | - | 160,833 | - | - | 10,380,611 | - | - | - | - | 10,554,759 |
| 11. | Residential mortgage loans | - | - | - | 14,889,542 | - | - | - | - | - | - | 14,889,542 |
| 12. | Other exposures which are not past due exposures | 2,588 | - | 1,803 | - | - | - | 6,083,594 | - | - | - | 6,087,985 |
| 13. | Past due exposures | - | - | - | - | - | - | - | 2,742 | - | - | 2,742 |
| 14. | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 15. | Total | 52,000,849 | - | 62,295,842 | 14,889,542 | 29,871,713 | 10,380,611 | 12,861,862 | 2,742 | - | - | 182,303,161 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Counterparty credit risk

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

| | | Replacement cost (RC) | PFE | Effective EPE | Alpha (α) used for computing default risk exposure | Default risk exposure after CRM | RWA |
|-----------|-----------------------------------|-----------------------|---------|---------------|---|---------------------------------|----------------|
| 1. | SA-CCR (for derivative contracts) | - | - | | 1.4 | - | - |
| 1a. | CEM | 255,352 | 468,769 | | - | 724,121 | 438,524 |
| 2. | IMM (CCR) approach | | | - | - | - | - |
| 3. | Simple Approach (for SFTs) | | | | | - | - |
| 4. | Comprehensive Approach (for SFTs) | | | | | - | - |
| 5. | VaR (for SFTs) | | | | | - | - |
| 6. | Total | | | | | | 438,524 |

CCR2: CVA capital charge

| | | EAD post CRM | RWA |
|----|--|--------------|---------|
| | Netting sets for which CVA capital charge is calculated by the advanced CVA method | - | - |
| 1. | (i) VaR (after application of multiplication factor if applicable) | | - |
| 2. | (ii) Stressed VaR (after application of multiplication factor if applicable) | | - |
| 3. | Netting sets for which CVA capital charge is calculated by the standardized CVA method | 724,121 | 110,450 |
| 4. | Total | 724,121 | 110,450 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Counterparty credit risk (Continued)

CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

| | Exposure classes | Risk Weight | | | | | | | | | | Total default risk exposure after CRM |
|-----|--|-------------|-----|---------|-----|---------|---------|--------|------|------|--------|---------------------------------------|
| | | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | |
| 1. | Sovereign exposures | - | - | - | - | - | - | - | - | - | - | - |
| 2. | PSE exposures | - | - | - | - | - | - | - | - | - | - | - |
| 2a. | Of which: domestic PSEs | - | - | - | - | - | - | - | - | - | - | - |
| 2b. | Of which: foreign PSEs | - | - | - | - | - | - | - | - | - | - | - |
| 3. | Multilateral development bank exposures | - | - | - | - | - | - | - | - | - | - | - |
| 4. | Bank exposures | - | - | 150,845 | - | 126,583 | - | - | - | - | - | 277,428 |
| 5. | Securities firm exposures | - | - | - | - | - | - | - | - | - | - | - |
| 6. | Corporate exposures | - | - | - | - | - | - | 39,115 | - | - | - | 39,115 |
| 7. | CIS exposures | - | - | - | - | - | - | - | - | - | - | - |
| 8. | Regulatory retail exposures | - | - | - | - | - | 406,518 | - | - | - | - | 406,518 |
| 9. | Residential mortgage loans | - | - | - | - | - | - | - | - | - | - | - |
| 10. | Other exposures which are not past due exposures | - | - | - | - | - | - | 1,060 | - | - | - | 1,060 |
| 11. | Significant exposures to commercial entities | - | - | - | - | - | - | - | - | - | - | - |
| 12. | Total | - | - | 150,845 | - | 126,583 | 406,518 | 40,175 | - | - | - | 724,121 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Counterparty credit risk (Continued)

CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

| | Derivative contracts | | | | SFTs | |
|--------------------------|--|--------------|---------------------------------|--------------|--|---------------------------------|
| | Fair value of recognized collateral received | | Fair value of posted collateral | | Fair value of recognized collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash - domestic currency | - | - | - | - | - | - |
| Cash - other currencies | - | - | - | 14,436 | - | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| Total | - | - | - | 14,436 | - | - |

CCR6: Credit-related derivatives contracts

| | Protection bought | Protection sold |
|---|-------------------|-----------------|
| Notional amounts | | |
| Single-name credit default swaps | - | - |
| Index credit default swaps | - | - |
| Total return swaps | - | - |
| Credit-related options | - | - |
| Other credit-related derivative contracts | - | - |
| Total notional amounts | - | - |
| Fair values | | |
| Positive fair value (asset) | - | - |
| Negative fair value (liability) | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Counterparty credit risk (Continued)

CCR8: Exposures to CCPs

| | | Exposure after CRM | RWA |
|-----|---|--------------------|-----|
| 1. | Exposures of the AI as clearing member or client to qualifying CCPs (total) | | - |
| 2. | Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which: | - | - |
| 3. | (i) OTC derivative transactions | - | - |
| 4. | (ii) Exchange-traded derivative contracts | - | - |
| 5. | (iii) Securities financing transactions | - | - |
| 6. | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 7. | Segregated initial margin | - | |
| 8. | Unsegregated initial margin | - | - |
| 9. | Funded default fund contributions | - | - |
| 10. | Unfunded default fund contributions | - | - |
| 11. | Exposures of the AI as clearing member or client to non-qualifying CCPs (total) | | - |
| 12. | Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which: | - | - |
| 13. | (i) OTC derivative transactions | - | - |
| 14. | (ii) Exchange-traded derivative contracts | - | - |
| 15. | (iii) Securities financing transactions | - | - |
| 16. | (iv) Netting sets subject to valid cross-product netting agreements | - | - |
| 17. | Segregated initial margin | - | |
| 18. | Unsegregated initial margin | - | - |
| 19. | Funded default fund contributions | - | - |
| 20. | Unfunded default fund contributions | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

Securitization exposures

SEC1: Securitization exposures in banking book

| | | Acting as originator (excluding sponsor) | | | Acting as sponsor | | | Acting as investor | | |
|-----|-------------------------------|---|-----------|-----------|-------------------|-----------|-----------|--------------------|-----------|-----------|
| | | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| 1. | Retail (total) – of which: | - | - | - | - | - | - | - | - | - |
| 2. | residential mortgage | - | - | - | - | - | - | - | - | - |
| 3. | credit card | - | - | - | - | - | - | - | - | - |
| 4. | other retail exposures | - | - | - | - | - | - | - | - | - |
| 5. | re-securitization exposures | - | - | - | - | - | - | - | - | - |
| 6. | Wholesale (total) – of which: | - | - | - | - | - | - | - | - | - |
| 7. | loans to corporates | - | - | - | - | - | - | - | - | - |
| 8. | commercial mortgage | - | - | - | - | - | - | - | - | - |
| 9. | lease and receivables | - | - | - | - | - | - | - | - | - |
| 10. | other wholesale | - | - | - | - | - | - | - | - | - |
| 11. | re-securitization exposures | - | - | - | - | - | - | - | - | - |

SEC2: Securitization exposures in trading book

| | | Acting as originator (excluding sponsor) | | | Acting as sponsor | | | Acting as investor | | |
|-----|-------------------------------|---|-----------|-----------|-------------------|-----------|-----------|--------------------|-----------|-----------|
| | | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| 1. | Retail (total) – of which: | - | - | - | - | - | - | - | - | - |
| 2. | residential mortgage | - | - | - | - | - | - | - | - | - |
| 3. | credit card | - | - | - | - | - | - | - | - | - |
| 4. | other retail exposures | - | - | - | - | - | - | - | - | - |
| 5. | re-securitization exposures | - | - | - | - | - | - | - | - | - |
| 6. | Wholesale (total) – of which: | - | - | - | - | - | - | - | - | - |
| 7. | loans to corporates | - | - | - | - | - | - | - | - | - |
| 8. | commercial mortgage | - | - | - | - | - | - | - | - | - |
| 9. | lease and receivables | - | - | - | - | - | - | - | - | - |
| 10. | other wholesale | - | - | - | - | - | - | - | - | - |
| 11. | re-securitization exposures | - | - | - | - | - | - | - | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Securitization exposures (Continued)

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

| | | Exposure values (by RW bands) | | | | | Exposure values (by regulatory approach) | | | | RWAs (by regulatory approach) | | | | Capital charges after cap | | | |
|-----|----------------------------|-------------------------------|----------------|-----------------|--------------------|----------|--|----------|--------|---------|-------------------------------|----------|--------|---------|---------------------------|----------|--------|---------|
| | | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA |
| 1. | Total exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. | Traditional securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. | Of which securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. | Of which retail | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. | Of which wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6. | Of which re-securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. | Of which senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. | Of which non-senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9. | Synthetic securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10. | Of which securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11. | Of which retail | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12. | Of which wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13. | Of which re-securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14. | Of which senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15. | Of which non-senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Securitization exposures (Continued)

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

| | | Exposure values (by RW bands) | | | | | Exposure values (by regulatory approach) | | | | RWAs (by regulatory approach) | | | | Capital charges after cap | | | |
|-----|----------------------------|-------------------------------|----------------|-----------------|--------------------|----------|--|----------|--------|---------|-------------------------------|----------|--------|---------|---------------------------|----------|--------|---------|
| | | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA | SEC-SA | SEC-FBA |
| 1. | Total exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2. | Traditional securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. | Of which securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4. | Of which retail | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5. | Of which wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6. | Of which re-securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. | Of which senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. | Of which non-senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9. | Synthetic securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10. | Of which securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11. | Of which retail | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12. | Of which wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13. | Of which re-securitization | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14. | Of which senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 15. | Of which non-senior | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Market risk

MR1: Market risk under STM approach

| | | RWA |
|----|---|----------------|
| | Outright product exposures | |
| 1. | Interest rate exposures (general and specific risk) | 212,325 |
| 2. | Equity exposures (general and specific risk) | - |
| 3. | Foreign exchange (including gold) exposures | 365,838 |
| 4. | Commodity exposures | - |
| | Option exposures | |
| 5. | Simplified approach | - |
| 6. | Delta-plus approach | - |
| 7. | Other approach | - |
| 8. | Securitization exposures | - |
| 9. | Total | 578,163 |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Additional balance sheet information

1. 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. Geographical segments, constituting 10% or more of the Bank's total international claims after taking into account any recognized risk transfer, are disclosed below.

| Equivalent in millions of HK\$ | Bank | Official Sector | Non-bank financial institutions | Non-financial private sector | Total |
|--|--------|--------------------|---------------------------------------|---------------------------------|--------|
| <u>As at 30 Jun 2018</u> | | | | | |
| Developing Asia-Pacific of which attributed to China | 36,428 | 2,045 | - | 2,240 | 40,713 |
| | 35,111 | 2,045 | - | 2,159 | 39,315 |
| Developed countries of which attributed to Australia | 22,267 | 1,590 | 695 | 19 | 24,571 |
| of which attributed to United States | 9,852 | 1 | - | 4 | 9,857 |
| | 6,476 | 1,584 | 695 | 1 | 8,756 |

2. Impaired loans and advances to customers by geographical area

| | Gross amount of loans to customers HK\$'000 | Gross amount of trade bills HK\$'000 | Total amount of loans and advances HK\$'000 | Identified Impaired loans and advances HK\$'000 | % of total loans and advance s | Stage 1 & 2 provision for ECL HK\$'000 | Stage 3 provision for ECL HK\$'000 |
|--------------------------|---|---|---|---|---|---|---|
| <u>As at 30 Jun 2018</u> | | | | | | | |
| Hong Kong | 34,506,544 | 622,777 | 35,129,321 | 26,907 | 0.08 | 117,316 | 21,168 |
| China | 2,227,401 | 3,661 | 2,231,062 | 1,609 | - | 6,387 | 1,609 |
| Other countries | 160,984 | - | 160,984 | - | - | 254 | - |
| | <u>36,894,929</u> | <u>626,438</u> | <u>37,521,367</u> | <u>28,516</u> | <u>0.08</u> | <u>123,957</u> | <u>22,777</u> |

The gross amount of loans and advances to customers by 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. Geographical segment, constituting 10% or more of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

Note: Under section 3(14A) of the Banking (Disclosure) Rules ("the Disclosure Rules"), the Company is exempted from the application of the Disclosure Rules as it has not yet commenced its banking business until 29 January 2018. As such, no comparative figures as at 31 December 2017 are available and no explanation of material changes is applicable.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross)

| | 30 Jun 2018 HK\$'000 | % of secured loans and advances |
|--|--------------------------|---------------------------------------|
| Loans and advances for use in Hong Kong industrial, commercial and financial | | |
| - Property development | 12,428 | 7.61 |
| - Property investment | 4,947,912 | 98.58 |
| - Financial concerns | 106,760 | 89.65 |
| - Stockbrokers | - | - |
| - Wholesale and retail trade | 1,155,296 | 78.51 |
| - Manufacturing | 357,494 | 55.48 |
| - Transport and transport equipment | 3,314,285 | 91.00 |
| - Recreational activities | 4,278 | 100.00 |
| - Information technology | 13,251 | - |
| - Others | 1,278,645 | 57.89 |
| Individuals | | |
| - Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme | 202,530 | 100.00 |
| - Loans for the purchase of other residential properties | 14,579,896 | 100.00 |
| - Credit card advances | 174,158 | - |
| - Others | 10,541,820 | 76.51 |
| Sub-total | <u>36,688,753</u> | 89.10 |
| Trade finance | 190,687 | 83.60 |
| Loans and advances for use outside Hong Kong | <u>15,489</u> | 57.85 |
| Total | <u><u>36,894,929</u></u> | 89.06 |

Gross loans, impaired loans, overdue loans, provision for Expected Credit Loss (“ECL”) in respect of industry sectors which constitute not less than 10% of total amount of loans and advances to customers are analysed as follows:

| <u>As at 30 Jun 2018</u> | Gross loans HK\$'000 | Impaired loans HK\$'000 | Overdue loans HK\$'000 | Stage 1 & 2 provision for ECL HK\$'000 | Stage 3 provision for ECL HK\$'000 |
|--|----------------------------|-------------------------------|------------------------------|---|---|
| Loans and advances for use in Hong Kong industrial, commercial and financial | 11,190,349 | 1,199 | 1,199 | 52,019 | 1,198 |
| Individuals | 25,498,404 | 19,461 | 11,450 | 70,593 | 13,910 |
| Trade finance | 190,687 | 150 | 150 | 281 | 150 |
| Loans and advances for use outside Hong Kong | 15,489 | 187 | 180 | 30 | - |
| | <u><u>36,894,929</u></u> | <u><u>20,997</u></u> | <u><u>12,979</u></u> | <u><u>122,923</u></u> | <u><u>15,258</u></u> |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Additional balance sheet information (Continued)

4. Gross amount of overdue loans and advances to customers

| | 30 Jun 2018 HK\$'000 | % of total loans and advances to customers |
|--|--------------------------------|--|
| Gross loans and advances to customers which have been overdue for periods of: | | |
| More than 3 months but not more than 6 months | 3,357 | 0.01 |
| More than 6 months but not more than one year | 1,608 | 0.00 |
| More than one year | 8,014 | 0.02 |
| | <hr/> 12,979 <hr/> | 0.03 |
| Gross trade bills to customers which have been overdue for periods of: | | |
| More than 3 months but not more than 6 months | - | - |
| More than 6 months but not more than one year | 3,411 | 0.01 |
| More than one year | 4,108 | 0.01 |
| | <hr/> 7,519 <hr/> | 0.02 |
| Total gross amount of overdue loans and advances to customers | <hr/> <hr/> 20,498 <hr/> <hr/> | 0.05 |

5. Overdue loans and advances to customers by geographical area

| | Overdue loans and advances to customers HK\$'000 | Stage 3 provision for ECL HK\$'000 |
|----------------------------|---|---|
| <u>As at 30 Jun 2018</u> | | |
| Hong Kong | 20,092 | 19,389 |
| People's Republic of China | 406 | 406 |
| | <hr/> 20,498 <hr/> | <hr/> 19,795 <hr/> |
| Fair value of collateral | <hr/> 794 <hr/> <hr/> | |

6. Overdue and restructured loans and advances to customers

| | 30 Jun 2018 HK\$'000 |
|---|-------------------------------|
| Total restructured loans and advances to customers | 2,592 |
| Excluding: Rescheduled loans and advances to customers overdue above 3 months | 849 |
| | <hr/> 1,743 <hr/> |
| Net amounts of restructured loans and advances to customers | <hr/> <hr/> 1,743 <hr/> <hr/> |
| Percentage of net amounts of restructured loans and advances to customers in total loans (%) | - |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Additional balance sheet information (Continued)

7. Overdue assets

There were no other overdue assets as at 30 Jun 2018.

8. Repossessed assets

There were no repossessed assets held as at 30 Jun 2018.

9. 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 |
|--|---|--|--------------------------------|
| <u>As at 30 Jun 2018</u> | | | |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 2,686,707 | 17,876 | 2,704,583 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | - | - | - |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 1,529,996 | 10,693 | 1,540,689 |
| 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 | 41,215 | 470 | 41,685 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | - | - | - |
| Total | <u>4,257,918</u> | <u>29,039</u> | <u>4,286,957</u> |
| Total assets after provisions | 183,422,751 | | |
| On-balance sheet exposures as percentage of total assets | 2.32% | | |

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
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Additional balance sheet information (Continued)

10. Currency concentration

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

| Equivalent in millions of HK\$ | USD | JPY | EUR | RMB | Total |
|-----------------------------------|----------|-------|-------|----------|----------|
| <u>As at 30 Jun 2018</u> | | | | | |
| Spot assets | 34,700 | 328 | 222 | 21,381 | 56,631 |
| Spot liabilities | (34,217) | (262) | (426) | (20,895) | (55,800) |
| Forward purchases | 18,543 | 527 | 528 | 3,254 | 22,852 |
| Forward sales | (19,268) | (457) | (403) | (3,515) | (23,643) |
| Net options position* | - | - | - | - | - |
| Net long (short) position | (242) | 136 | (79) | 225 | 40 |
| Net structural position | - | - | - | - | - |

* 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.

11. Off-balance sheet exposures (other than derivative transactions)

The off-balance sheet exposures is based on nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Capital Adequacy Ratio.

| | 30 Jun 2018 HK\$'000 |
|---|-------------------------|
| Contract amounts | |
| Direct credit substitutes | 132,681 |
| Trade-related contingencies | 158,663 |
| Commitments that are unconditionally cancellable without prior notice | 7,074,348 |
| Commitments which have an original maturity of not more than one year | 178,679 |
| Commitments which have an original maturity of more than one year | 3,038,893 |
| Total | 10,583,264 |
| Risk-weighted amount | 1,171,994 |