

**BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH**  
(Incorporated in the People's Republic of China)

**FINANCIAL INFORMATION DISCLOSURE STATEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

**(UNAUDITED)**

**These disclosures are prepared under the Banking (Disclosure) Rules**

**BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH**  
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**FINANCIAL INFORMATION DISCLOSURE STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2018  
(UNAUDITED)**

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**BANK OF COMMUNICATIONS CO., LTD. HONG KONG BRANCH**  
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**SECTION A – BRANCH INFORMATION (HONG KONG OFFICES ONLY)**

**I. Profit and loss information**

	30 Jun 2018 (6 months) HK\$'000	30 Jun 2017 (6 months) HK\$'000	Variance %
Interest income	6,614,321	6,014,956	+9.96
Interest expense	(4,266,895)	(3,693,635)	+15.52
Net interest income	<u>2,347,426</u>	<u>2,321,321</u>	+1.12
Commission and fees income	631,822	1,072,973	-41.11
Commission and fees expenses	(24,081)	(44,286)	-45.62
Net commission and fees income	<u>607,741</u>	<u>1,028,687</u>	-40.92
Gains less losses arising from trading in foreign currencies	217,686	633,549	-65.64
Gains less losses on securities held for trading purposes	10,470	36,953	-71.67
Gains less losses from other trading activities	(80,674)	77,941	-203.51
Others	53,155	59,526	-10.70
Other operating gains less losses	<u>200,637</u>	<u>807,969</u>	-75.17
	<u>3,155,804</u>	<u>4,157,977</u>	-24.10
Operating expenses			
Staff and rental expenses	(540,941)	(805,022)	-32.80
Other operating expenses	(195,443)	(233,348)	-16.24
Write back of impairment allowances for loans and receivables	167,470	3,663	+4,471.94
Write back of impairment allowances for available-for-sale investment securities	-	19,384	-100.00
Write back for other impairment allowances	10,872	-	-
Gains less losses from revaluation of investment properties	23,094	24,109	-4.21
<b>Profit before taxation</b>	<u>2,620,856</u>	<u>3,166,763</u>	-17.24
Income tax expense	(436,112)	(506,854)	-13.96
<b>Profit after taxation</b>	<u><u>2,184,744</u></u>	<u><u>2,659,909</u></u>	-17.86

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**II. Balance sheet information**

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
<b>Assets</b>			
Cash and balances with banks	29,361,025	79,081,973	-62.87
Amount due from Exchange Fund repayable or callable within one month	580,877	2,159,382	-73.10
Placements with banks with residual maturity between one and twelve months	34,056,565	26,911,127	+26.55
Amount due from overseas offices	59,396,282	15,643,835	+279.68
Trade bills	22,532,450	52,020,488	-56.69
Certificates of deposit held	31,870,938	57,151,383	-44.23
Securities held for trading purposes	6,930,999	11,208,891	-38.17
Loans and receivables	187,747,513	220,536,259	-14.85
Investment securities	96,249,085	129,326,260	-25.58
Other investments	380,818	316,160	+20.45
Property, plant and equipment and investment properties	682,038	752,449	-9.36
<b>Total assets</b>	<u>469,788,590</u>	<u>595,108,207</u>	-21.06
<b>Liabilities</b>			
Deposits and balances from banks	55,367,534	21,571,959	+156.66
Deposits from customers			
- Demand deposits and current accounts	8,905,799	16,743,736	-46.81
- Saving deposits	32,565,975	88,430,094	-63.17
- Time, call and notice deposits	246,693,127	334,914,520	-26.34
Amount due to overseas offices	32,497,274	34,228,554	-5.06
Certificates of deposit issued	14,484,950	22,011,498	-34.19
Debt securities issued	46,322,612	38,901,132	+19.08
Other liabilities	32,867,180	38,253,783	-14.08
Provisions	84,139	52,931	+58.96
<b>Total liabilities</b>	<u>469,788,590</u>	<u>595,108,207</u>	-21.06

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**III. Additional balance sheet information**

(i) Loans and receivables

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Loans and receivables			
Loans and advances to customers	168,709,372	205,516,451	-17.91
Loans and advances to banks	3,596,873	-	-
Accrued interest and other accounts	16,335,246	16,245,426	+0.55
	<u>188,641,491</u>	<u>221,761,877</u>	-14.94
Less: Impairment allowances for impaired loans and receivables			
Collective impairment allowances			
- for loans and advances to customers	-	(957,680)	-100.00
Individual impairment allowances			
- for loans and advances to customers	-	(218,368)	-100.00
- for accrued interest and other accounts	-	(49,570)	-100.00
Stage 1 and Stage 2 provision for Expected Credit Loss ("ECL")			
- for loans and advances to customers	(631,003)	-	-
- for loans and advances to banks	(1,295)	-	-
- for accrued interest and other accounts	(17,058)	-	-
Stage 3 provision for ECL			
- for loans and advances to customers	(196,534)	-	-
- for accrued interest and other accounts	(48,088)	-	-
	<u>(893,978)</u>	<u>(1,225,618)</u>	-27.06
	<u><u>187,747,513</u></u>	<u><u>220,536,259</u></u>	-14.87

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 30 Jun 2018 and 31 Dec 2017.

(ii)(a) Impaired loans and advances

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Gross impaired loans and advances to customers	470,220	492,334	-4.49
As percentage of total loans and advances to customers	0.28	0.24	+0.04
Individual impairment allowances	-	218,368	-100.00
Stage 3 provision for ECL	196,534	-	-

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

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

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

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Hong Kong	59,958	79,413	-24.50
People's Republic of China	410,262	412,921	-0.64
	<u>470,220</u>	<u>492,334</u>	-4.49

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

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

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Market value of collateral related to impaired loans and advances to customers	<u>400,211</u>	<u>404,023</u>	-0.94

(iii) Trade bills

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Gross trade bills	22,634,442	52,237,861	-56.67
Less: Impairment allowances			
Collective impairment allowances	-	(152,169)	-100.00
Individual impairment allowances	-	(65,204)	-100.00
Stage 1 and Stage 2 provision for ECL	(52,431)	-	-
Stage 3 provision for ECL	(49,561)	-	-
	<u>(101,992)</u>	<u>(217,373)</u>	-53.08
	<u>22,532,450</u>	<u>52,020,488</u>	-56.69

(iv) Investment securities

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Gross investment securities	96,251,059	129,326,260	-25.58
Less: Individual impairment allowances	-	-	-
Stage 1 and Stage 2 provision for ECL	(1,974)	-	-
Stage 3 provision for ECL	-	-	-
	<u>96,249,085</u>	<u>129,326,260</u>	-25.58

No impairment allowances for investment securities maintained at our head office as at 30 Jun 2018 and 31 Dec 2017.

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

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

	30 Jun 2018 HK\$'000	% of secured loans and advances	31 Dec 2017 HK\$'000	% of secured loans and advances	Variance %
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
- Property development	17,316,630	9.87	14,347,744	13.38	+20.69
- Property investment	4,289,002	98.77	11,199,564	98.98	-61.70
- Financial concerns	49,910,298	9.73	47,889,923	10.33	+4.22
- Stockbrokers	4,748,000	19.54	5,198,229	3.62	-8.66
- Wholesale and retail trade	3,400,016	17.02	6,778,458	48.89	-49.84
- Manufacturing	7,205,863	2.77	6,871,957	3.52	+4.86
- Transport and transport equipment	2,453,560	62.33	5,145,672	71.35	-52.32
- Recreational activities	988,460	100.00	993,009	100.00	-0.46
- Information technology	502,125	-	515,311	-	-2.56
- Others	22,264,162	28.20	25,494,063	33.97	-12.67
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	-	-	237,802	99.33	-100.00
- Loans for the purchase of other residential properties	-	-	15,205,914	100.00	-100.00
- Credit card advances	-	-	204,844	-	-100.00
- Others	-	-	10,716,872	76.22	-100.00
Sub-total	113,078,116		150,799,362		-25.01
Trade finance	3,795,338	2.98	2,103,230	14.58	+80.45
Loans and advances for use outside Hong Kong	51,835,918	23.19	52,613,859	24.75	-1.48
Total	168,709,372	19.82	205,516,451	35.01	-17.91

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

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

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Hong Kong	108,877,087	92,123,916	+18.19
People's Republic of China	52,218,463	106,163,979	-50.81
Other countries	7,613,822	7,228,556	+5.33
	<u>168,709,372</u>	<u>205,516,451</u>	-17.91

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

(vi) International claims

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

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	154,714	12,976	14,022	29,063	210,775
of which China	153,216	12,484	14,022	27,994	207,716
Developed countries	20,954	9,339	8,047	583	38,923
Offshore centres	7,071	490	26,183	40,051	73,795
of which Hong Kong	6,533	490	24,126	37,308	68,457
<u>As at 31 Dec 2017</u>					
Developing Asia-Pacific	158,457	15,408	33,144	60,985	267,994
of which China	154,164	14,902	33,144	60,285	262,495
Developed countries	53,698	1,646	8,922	385	64,651



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

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

	30 Jun 2018 HK\$'000	% of total loans and advances to customers	31 Dec 2017 HK\$'000	% of total loans and advances to customers
Gross loans and advances to customers that have been overdue for periods of:				
More than 3 months but not more than 6 months	-	-	2,123	-
More than 6 months but not more than one year	-	-	8,643	-
More than one year	470,220	0.28	471,003	0.23
	<u>470,220</u>	0.28	<u>481,769</u>	0.23
		30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Market value of collateral held against the secured overdue loans and advances		407,811	408,686	-0.21
Secured overdue loans and advances		400,211	399,135	+0.27
Unsecured overdue loans and advances		70,009	82,634	-15.28
Individual impairment allowances		-	213,528	-100.00
Stage 3 provision for ECL		196,534	-	-
Overdue loans and advances to customers by geographical area				
Hong Kong		59,958	71,734	-16.42
People's Republic of China		410,262	410,035	+0.06
		<u>470,220</u>	<u>481,769</u>	-2.40

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

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

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

(vii)(b) Overdue assets

	30 Jun 2018 HK\$'000	% of trade bills	31 Dec 2017 HK\$'000	% of trade bills
Gross trade bills that have been overdue for periods of :				
More than 3 months but not more than 6 months	-	-	1,295	-
More than 6 months but not more than one year	-	-	46,077	0.09
More than one year	49,561	0.22	15,729	0.03
	<u>49,561</u>	<u>0.22</u>	<u>63,101</u>	<u>0.12</u>

There are no debt securities that have been overdue for more than 3 months as at 30 Jun 2018 and 31 Dec 2017.

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Secured overdue assets	-	-	-
Unsecured overdue assets	49,561	63,101	-21.46
Individual impairment allowances	-	63,101	-100.00
Stage 3 provision for ECL	49,561	-	-
Overdue assets by geographical area			
United States	351	-	-
Hong Kong	11,304	17,024	-33.60
Singapore	37,906	46,077	-17.73
	<u>49,561</u>	<u>63,101</u>	<u>-21.46</u>

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

(vii)(c) Rescheduled loans

	30 Jun 2018 HK\$'000	31 Dec 2017 HK\$'000	Variance %
Rescheduled loans to customers net of overdue more than three months	-	2,078	-100.00
As percentage of total loans and advances to customers	-	-	-

(vii)(d) Repossessed assets

There are no repossessed assets held as at 30 Jun 2018 and 31 Dec 2017.

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

(viii) Non-bank Mainland exposures

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

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

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

(viii) Non-bank Mainland exposures (Continued)

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
<u>As at 31 Dec 2017</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	87,693,264	2,708,225	90,401,489
2. Local governments, local government-owned entities and their subsidiaries and JVs	10,018,279	300,393	10,318,672
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	28,942,416	4,647,768	33,590,184
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	2,225,962	2,707,689	4,933,651
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
<b>Total</b>	<b>128,879,921</b>	<b>10,364,075</b>	<b>139,243,996</b>
 Total assets after provisions	 595,055,276		
On-balance sheet exposures as percentage of total assets	21.66%		

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

(ix) Foreign currency exposures

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

Equivalent in millions of HK\$	Chinese Renminbi	US Dollars	Total
<u>As at 30 Jun 2018</u>			
Spot assets	53,447	228,615	282,062
Spot liabilities	(44,995)	(215,627)	(260,622)
Forward purchases	94,309	182,325	276,634
Forward sales	(99,717)	(196,079)	(295,796)
Net options position*	2,001	(2,073)	(72)
	<hr/>	<hr/>	<hr/>
Net long (short) position	5,045	(2,839)	2,206
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>As at 31 Dec 2017</u>			
Spot assets	74,061	247,715	321,776
Spot liabilities	(62,944)	(243,994)	(306,938)
Forward purchases	135,759	271,089	406,848
Forward sales	(142,217)	(264,055)	(406,272)
Net options position*	3,190	(3,179)	11
	<hr/>	<hr/>	<hr/>
Net long (short) position	7,849	7,576	15,425
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* 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.

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**IV. Off-balance sheet exposures**

(i) Contingent liabilities and commitments

	30 Jun 2018 HK\$'000 Contract amount	31 Dec 2017 HK\$'000 Contract amount	Variance %
Direct credit substitutes	5,819,853	5,750,686	+1.20
Trade related contingencies	7,039,455	6,821,991	+3.19
Others commitments	38,044,939	29,855,267	+27.43
Others	912,561	10,360,824	-91.19
	<u>51,816,808</u>	<u>52,788,768</u>	-1.84

(ii) Derivatives

	Contract amount HK\$'000	Fair value Assets HK\$'000	Fair value Liabilities HK\$'000
<u>As at 30 Jun 2018</u>			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	396,997,507	4,369,281	3,540,527
Interest rate contracts	214,228,648	3,018,803	2,098,940
Others	-	-	-
	<u>611,226,155</u>	<u>7,388,084</u>	<u>5,639,467</u>
<u>As at 31 Dec 2017</u>			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	557,020,054	8,010,733	7,360,440
Interest rate contracts	287,491,703	2,587,135	2,208,821
Others	-	-	-
	<u>844,511,757</u>	<u>10,597,868</u>	<u>9,569,261</u>

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

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**V. Liquidity information**

	30 Jun 2018 (6 months)	30 Jun 2017 (6 months)
Average liquidity coverage ratio ("LCR")		
- First quarter	195.70%	131.96%
- Second quarter	165.96%	144.54%
Average liquidity coverage ratio for the period	180.73%	138.16%
Net stable funding ratio("NSFR")		
- First quarter end	105.63%	N/A
- Second quarter end	105.40%	N/A

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

The Branch's average LCR for the period is 180.73%. It is well above the regulatory requirement of 90%. The Branch's NSFR for the first two quarter ends of year 2018 are 105.63% and 105.40% 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 Branch's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills/Notes and unencumbered sovereign bonds. The branch also holds a portion of Level 2A and Level 2B HQLA, which include corporate bonds with high credit rating. Customer deposit is the major component of the Branch's ASF source.

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

The Branch holds Level 1 HQLA denominated in foreign currencies (mainly CNY and USD) to cover respective LCR net cash outflow in foreign currency. The foreign currency LCR mismatch is bolstered mainly by our HKD-denominated HQLA through FX contracts. The Branch has established internal monitoring limit on 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 Branch has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite.



**V. Liquidity information (Continued)**

***Liquidity risk management***

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

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

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

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

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

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

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**V. Liquidity information (Continued)**

**LIQ1: Liquidity Coverage Ratio("LCR") – 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	
		<b>Unweighted value</b> (average)	<b>Weighted value</b> (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		104,817,748
<b>B. Cash outflows</b>			
2.	Retail deposits and small business funding, of which:	1,761,207	164,872
3.	<i>Stable retail deposits and stable small business funding</i>	69,313	3,466
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,536,226	153,623
4a.	<i>Retail term deposits and small business term funding</i>	155,668	7,783
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:		
		258,886,096	115,665,292
6.	<i>Operational deposits</i>	89,020,488	22,254,324
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	168,216,054	91,761,414
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,649,554	1,649,554
9.	Secured funding transactions (including securities swap transactions)		587,030
10.	Additional requirements, of which:	21,250,503	5,310,477
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,908,209	2,331,446
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	-	-
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	18,342,294	2,979,031
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,096,193	5,096,193
15.	Other contingent funding obligations (whether contractual or non-contractual)	35,891,379	805,114
16.	<b>Total Cash Outflows</b>		127,628,978
<b>C. Cash Inflows</b>			
17.	Secured lending transactions (including securities swap transactions)	-	-
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	93,765,616	55,706,346
19.	Other cash inflows	7,382,012	7,382,012
20.	<b>Total Cash Inflows</b>	101,147,628	63,088,358
<b>D. Liquidity Coverage Ratio</b>		Adjusted value	
21.	<b>Total HQLA</b>		104,817,748
22.	<b>Total Net Cash Outflows</b>		64,540,620
23.	<b>LCR (%)</b>		165.96%

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**V. Liquidity information (Continued)**

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

2018 first quarter:

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

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**V. Liquidity information (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	
<b>A.</b>	<b>Available stable funding (“ASF”) item</b>					
1.	Capital:	-	-	-	-	-
2.	<i>Regulatory capital</i>	-	-	-	-	-
2a.	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3.	Other capital instruments	-	-	-	-	-
4.	Retail deposits and small business funding:	-	1,571,941	6,449	-	1,423,832
5.	<i>Stable deposits</i>	-	65,634	-	-	62,352
6.	<i>Less stable deposits</i>	-	1,506,307	6,449	-	1,361,480
7.	Wholesale funding:	-	333,948,878	13,148,068	28,469,211	168,145,498
8.	<i>Operational deposits</i>	-	35,196,737	-	-	17,598,369
9.	<i>Other wholesale funding</i>	-	298,752,141	13,148,068	28,469,211	150,547,129
10.	Liabilities with matching interdependent assets	-	-	-	-	-
11.	Other liabilities:	1,628,587	4,943,849	6,554,955	74,463,187	77,740,665
12.	<i>Net derivative liabilities</i>	-	-	-	-	-
13.	<i>All other funding and liabilities not included in the above categories</i>	1,628,587	4,943,849	6,554,955	74,463,187	77,740,665
14.	<b>Total ASF</b>					247,309,995
<b>B.</b>	<b>Required stable funding (“RSF”) item</b>					
15.	Total HQLA for NSFR purposes	-	20,121,011	21,081,137	37,348,384	7,820,330
16.	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17.	Performing loans and securities:	47,767,065	150,492,998	30,396,102	136,424,539	208,024,207
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	24,140,219	130,885,063	16,380,268	21,370,223	73,333,335

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**V. Liquidity information (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>	23,626,846	16,338,420	5,085,162	69,334,521	89,728,952
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	-	-	-	-
22.	<i>Performing residential mortgages, of which:</i>	-	12,924	1,921	31,934	34,567
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	-	-	-	-
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	3,256,591	8,928,751	45,687,861	44,927,353
25.	<i>Assets with matching interdependent liabilities</i>	-	-	-	-	-
26.	<i>Other assets:</i>	21,851,603	5,287,421	-	-	17,858,739
27.	<i>Physical traded commodities, including gold</i>	-				-
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	222,661				189,262
29.	<i>Net derivative assets</i>	2,002,845				2,002,845
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	5,105,099				N/A
31.	<i>All other assets not included in the above categories</i>	14,520,998	5,287,421	-	-	15,666,632

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**V. Liquidity information (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		4,082,594	766	48,473,879	926,132
33.	<b>Total RSF</b>					234,629,408
34.	<b>Net Stable Funding Ratio (%)</b>					105.40%

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**V. Liquidity information (Continued)**

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

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	
<b>A.</b>	<b>Available stable funding (“ASF”) item</b>					
1.	Capital:	-	-	-	-	-
2.	<i>Regulatory capital</i>	-	-	-	-	-
2a.	<i>Minority interests not covered by row 2</i>	-	-	-	-	-
3.	Other capital instruments	-	-	-	-	-
4.	Retail deposits and small business funding:	-	1,670,774	3,151	-	1,509,888
5.	<i>Stable deposits</i>	-	67,102	-	-	63,747
6.	<i>Less stable deposits</i>	-	1,603,672	3,151	-	1,446,141
7.	Wholesale funding:	-	400,717,119	19,573,690	18,137,766	191,811,036
8.	<i>Operational deposits</i>	-	93,849,690	-	-	46,924,845
9.	<i>Other wholesale funding</i>	-	306,867,429	19,573,690	18,137,766	144,886,191
10.	Liabilities with matching interdependent assets	-	-	-	-	-
11.	Other liabilities:	4,766,182	7,349,996	5,926,540	59,467,925	62,431,195
12.	<i>Net derivative liabilities</i>	-	-	-	-	-
13.	<i>All other funding and liabilities not included in the above categories</i>	4,766,182	7,349,996	5,926,540	59,467,925	62,431,195
14.	<b>Total ASF</b>					255,752,119
<b>B.</b>	<b>Required stable funding (“RSF”) item</b>					
15.	Total HQLA for NSFR purposes	-	64,505,095	21,213,782	33,808,513	7,291,016
16.	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17.	Performing loans and securities:	30,525,179	161,346,925	31,711,459	165,463,248	223,200,689
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	15,569,798	132,560,450	18,026,637	27,613,480	72,080,664

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**V. Liquidity information (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>	14,955,381	22,585,243	2,191,249	74,413,842	88,352,085
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	-	-	-	-
22.	<i>Performing residential mortgages, of which:</i>	-	3,677	1,154	43,245	39,174
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	-	-	-	-	-
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	6,197,555	11,492,419	63,392,681	62,728,766
25.	<i>Assets with matching interdependent liabilities</i>	-	-	-	-	-
26.	<i>Other assets:</i>	17,892,344	4,615,675	-	-	10,707,178
27.	<i>Physical traded commodities, including gold</i>	-				-
28.	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	137,705				117,049
29.	<i>Net derivative assets</i>	1,887,971				1,887,971
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	9,208,337				N/A
31.	<i>All other assets not included in the above categories</i>	6,658,331	4,615,675	-	-	8,702,158



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**V. Liquidity information (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		6	-	59,513,416	922,267
33.	<b>Total RSF</b>					242,121,150
34.	<b>Net Stable Funding Ratio (%)</b>					105.63%

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**SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)**

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

	30 Jun 2018 CNY million (Unaudited)	31 Dec 2017 CNY million (Restated)	Variance %
Total loans and advances	4,669,207	4,473,255	+4.38
Total customer deposits	5,732,928	5,545,366	+3.38
Total assets	9,322,707	9,038,254	+3.15
Total liabilities	8,652,646	8,361,983	+3.48
Shareholders' equity	663,653	671,143	-1.12
Capital adequacy ratio	13.86%	14.00%	-0.14

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

	30 Jun 2018 (6 months) CNY million (Unaudited)	30 Jun 2017 (6 months) CNY million (Unaudited)	Variance %
Pre-tax profit	47,470	47,355	+0.24

Meng Yu, Alternate Chief Executive  
Bank of Communications Co., Ltd. Hong Kong Branch  
28 September 2018