



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

**HONG KONG BRANCH**

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

**FINANCIAL  
DISCLOSURE STATEMENT**

**31 December 2019  
(Unaudited)**

Bank of Communications Co., Ltd. Hong Kong Branch

Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong  
[www.bankcomm.com.hk](http://www.bankcomm.com.hk)

# Contents

**FINANCIAL DISCLOSURE STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019  
(UNAUDITED)**

	Page(s)
SECTION A – BRANCH INFORMATION (HONG KONG OFFICES ONLY)	
I. Profit and loss information	2
II. Balance sheet information	3
III. Additional balance sheet information	4 - 11
IV. Off-balance sheet exposures	12
V. Liquidity information	13 - 27
VI. Disclosure of remuneration policy	28 - 29
SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)	
I. Consolidated balance sheet items and financial ratios	30

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

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

### I. Profit and loss information

	<b>31 Dec 2019</b> <b>(12 months)</b> <b>HK\$'000</b>	31 Dec 2018 (12 months) HK\$'000
Interest income	<b>14,206,554</b>	13,640,056
Interest expense	<b>(10,772,566)</b>	(9,431,709)
Net interest income	<b>3,433,988</b>	4,208,347
Commission and fees income	<b>1,158,132</b>	1,262,330
Commission and fees expenses	<b>(50,255)</b>	(50,198)
Net commission and fees income	<b>1,107,877</b>	1,212,132
Gains less losses arising from trading in foreign currencies	<b>554,024</b>	346,120
Gains less losses on securities held for trading purposes	<b>171,100</b>	31,110
Gains less losses from other trading activities	<b>19,665</b>	145,222
Others	<b>456,624</b>	268,065
Other operating gains less losses	<b>1,201,413</b>	790,517
	<b>5,743,278</b>	6,210,996
Operating expenses		
Staff and rental expenses	<b>(1,095,486)</b>	(1,010,822)
Other operating expenses	<b>(358,415)</b>	(378,459)
Write back of impairment allowances for loans and receivables	<b>234,193</b>	56,249
Charge of other impairment allowances	<b>(74,540)</b>	(15,820)
Gains less losses from disposal of tangible fixed assets	<b>(22)</b>	–
Gains less losses from revaluation of investment properties	<b>2,429</b>	41,397
<b>Profit before taxation</b>	<b>4,451,437</b>	4,903,541
Income tax expense	<b>(711,801)</b>	(787,856)
<b>Profit after taxation</b>	<b>3,739,636</b>	4,115,685

## II. Balance sheet information

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Cash and balances with banks	<b>29,389,603</b>	21,704,293
Amount due from Exchange Fund repayable or callable within one month	<b>491,848</b>	1,989,550
Placements with banks with residual maturity between one and twelve months	<b>48,520,447</b>	38,915,990
Amount due from overseas offices	<b>58,829,280</b>	63,721,915
Trade bills	<b>12,148,219</b>	18,286,714
Certificates of deposit held	<b>36,725,043</b>	43,626,584
Securities held for trading purposes	<b>6,772,414</b>	11,328,603
Loans and receivables	<b>163,028,109</b>	158,520,990
Investment securities	<b>139,662,819</b>	137,898,766
Other investments	<b>538,103</b>	537,402
Property, plant and equipment and investment properties	<b>784,202</b>	794,664
<b>Total assets</b>	<b>496,890,087</b>	497,325,471
<b>Liabilities</b>		
Amount due to Exchange Fund	<b>20,000</b>	40,000
Deposits and balances from banks	<b>22,704,103</b>	43,608,897
Deposits from customers		
– Demand deposits and current accounts	<b>7,624,411</b>	6,615,008
– Saving deposits	<b>38,429,415</b>	29,610,543
– Time, call and notice deposits	<b>261,976,188</b>	246,363,723
Amount due to overseas offices	<b>39,404,524</b>	44,166,724
Certificates of deposit issued	<b>36,332,777</b>	27,759,537
Debt securities issued	<b>48,895,531</b>	53,380,563
Other liabilities	<b>41,372,274</b>	45,721,890
Provisions	<b>130,864</b>	58,586
<b>Total liabilities</b>	<b>496,890,087</b>	497,325,471

### III. Additional balance sheet information

#### (i) Loans and receivables

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Loans and receivables		
Loans and advances to customers	<b>149,482,498</b>	145,612,165
Loans and advances to banks	–	–
Accrued interest and other accounts	<b>14,463,559</b>	13,850,216
	<b>163,946,057</b>	159,462,381
Less: Impairment allowances for impaired loans and receivables		
Stage 1 and Stage 2 provision for Expected Credit Loss (“ECL”)		
– for loans and advances to customers	<b>(541,367)</b>	(566,095)
– for loans and advances to banks	–	–
– for accrued interest and other accounts	<b>(6,229)</b>	(16,322)
Stage 3 provision for ECL		
– for loans and advances to customers	<b>(253,430)</b>	(254,736)
– for accrued interest and other accounts	<b>(116,922)</b>	(104,238)
	<b>(917,948)</b>	(941,391)
	<b>163,028,109</b>	158,520,990

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2019 and 30 Jun 2019.

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

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Gross impaired loans and advances to customers	<b>395,625</b>	408,016
As percentage of total loans and advances to customers	<b>0.26</b>	0.28
Stage 3 provision for ECL	<b>253,430</b>	254,736

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

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

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

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>205,811</b>	214,334
People's Republic of China	<b>155,272</b>	155,753
Other countries	<b>34,542</b>	37,929
	<b>395,625</b>	408,016

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

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

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Market value of collateral related to impaired loans and advances to customers	<b>187,059</b>	190,921

#### (iii) Trade bills

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Gross trade bills	<b>12,183,160</b>	18,322,433
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	<b>(23,357)</b>	(24,108)
Stage 3 provision for ECL	<b>(11,584)</b>	(11,611)
	<b>(34,941)</b>	(35,719)
	<b>12,148,219</b>	18,286,714

#### (iv) Investment securities

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
Gross investment securities	<b>139,663,362</b>	137,901,627
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	<b>(543)</b>	(2,861)
Stage 3 provision for ECL	–	–
	<b>139,662,819</b>	137,898,766

No impairment allowances for investment securities maintained at our head office as at 31 Dec 2019 and 30 Jun 2019.

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

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

	31 Dec 2019 HK\$'000	% of secured loans and advances	30 Jun 2019 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	17,163,608	17.61	17,646,844	9.81
– Property investment	7,079,585	84.97	6,800,319	81.53
– Financial concerns	38,797,309	1.88	42,837,793	1.39
– Stockbrokers	2,401,477	5.60	2,542,645	28.05
– Wholesale and retail trade	2,282,763	27.42	2,925,451	22.54
– Manufacturing	7,647,616	1.81	5,461,712	0.33
– Transport and transport equipment	2,752,681	37.28	1,585,875	70.08
– Recreational activities	778,147	–	–	–
– Information technology	418,673	7.07	421,886	7.49
– Others	26,457,531	33.42	22,177,915	35.99
Individuals:				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	–	–	–	–
– Loans for the purchase of other residential properties	–	–	–	–
– Credit card advances	–	–	–	–
– Others	–	–	–	–
Sub-total	<b>105,779,390</b>		102,400,440	
Trade finance	<b>1,149,902</b>	<b>16.28</b>	2,437,597	12.34
Loans and advances for use outside Hong Kong	<b>42,553,206</b>	<b>27.08</b>	40,774,128	30.01
Total	<b>149,482,498</b>	<b>21.59</b>	145,612,165	21.24

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

	31 Dec 2019 HK\$'000	30 Jun 2019 HK\$'000
Hong Kong	99,646,699	99,939,685
People's Republic of China	43,253,019	37,427,782
Other countries	6,582,780	8,244,698
	<b>149,482,498</b>	145,612,165

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.



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

#### (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		Total
			financial institutions	Non-financial private sector	
As at 31 Dec 2019					
Developing Asia-Pacific	<b>160,078</b>	<b>16,532</b>	<b>10,823</b>	<b>26,487</b>	<b>213,920</b>
of which: People's Republic of China	<b>158,289</b>	<b>15,032</b>	<b>10,823</b>	<b>25,584</b>	<b>209,728</b>
Developed countries	<b>16,584</b>	<b>17,314</b>	<b>11,055</b>	<b>2,562</b>	<b>47,515</b>
Offshore centres	<b>13,504</b>	<b>1,905</b>	<b>25,042</b>	<b>40,602</b>	<b>81,053</b>
of which: Hong Kong	<b>13,347</b>	<b>1,905</b>	<b>21,948</b>	<b>40,370</b>	<b>77,570</b>
As at 30 Jun 2019					
Developing Asia-Pacific	174,395	24,920	12,416	26,128	237,859
of which: People's Republic of China	170,661	23,670	12,416	25,601	232,348
Offshore centres	12,168	1,748	23,965	37,706	75,587
of which: Hong Kong	11,423	1,748	21,155	36,181	70,507

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

	31 Dec 2019		30 Jun 2019	
	HK\$'000	% of total loans and advances to customers	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	–	–	45,633	0.03
More than 6 months but not more than 1 year	<b>27,205</b>	<b>0.02</b>	109,962	0.08
More than 1 year	<b>333,792</b>	<b>0.22</b>	214,408	0.15
	<b>360,997</b>	<b>0.24</b>	370,003	0.26

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

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

	31 Dec 2019 HK\$'000	30 Jun 2019 HK\$'000
Market value of collateral held against the secured overdue loans and advances	162,078	162,583
Secured overdue loans and advances	152,517	152,992
Unsecured overdue loans and advances	208,480	217,011
Stage 3 provision for ECL	253,345	254,652
Overdue loans and advances to customers by geographical area		
Hong Kong	205,725	214,250
People's Republic of China	155,272	155,753
	<b>360,997</b>	<b>370,003</b>

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.

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

	31 Dec 2019 HK\$'000	% of trade bills	30 Jun 2019 HK\$'000	% of trade bills
Gross trade bills that have been overdue for periods of:				
More than 3 months but not more than 6 months	–	–	–	–
More than 6 months but not more than 1 year	–	–	–	–
More than 1 year	11,584	0.10	11,611	0.06
	<b>11,584</b>	<b>0.10</b>	<b>11,611</b>	<b>0.06</b>

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2019 and 30 Jun 2019.

	31 Dec 2019 HK\$'000	30 Jun 2019 HK\$'000
Secured overdue assets	–	–
Unsecured overdue assets	11,584	11,611
Stage 3 provision for ECL	11,584	11,611
Overdue assets by geographical area		
United States	348	349
Hong Kong	11,236	11,262
	<b>11,584</b>	<b>11,611</b>

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

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

	<b>31 Dec 2019</b> HK\$'000	30 Jun 2019 HK\$'000 (Restated)
Rescheduled loans to customers net of overdue more than 3 months	<b>34,543</b>	37,929
As percentage of total loans and advances to customers	<b>0.02</b>	0.03

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

There are no repossessed assets held as at 31 Dec 2019 and 30 Jun 2019.

#### (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.

	<b>On-balance sheet exposures HK\$'000</b>	<b>Off-balance sheet exposures HK\$'000</b>	<b>Total exposures HK\$'000</b>
As at 31 Dec 2019			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	<b>85,420,438</b>	<b>14,560,078</b>	<b>99,980,516</b>
2. Local governments, local government-owned entities and their subsidiaries and JVs	<b>7,431,159</b>	<b>2,722,870</b>	<b>10,154,029</b>
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	<b>21,984,315</b>	<b>3,438,804</b>	<b>25,423,119</b>
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	<b>600,731</b>	<b>74,660</b>	<b>675,391</b>
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	<b>539,025</b>	–	<b>539,025</b>
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	<b>115,975,668</b>	<b>20,796,412</b>	<b>136,772,080</b>
Total assets after provisions	<b>496,759,223</b>		
On-balance sheet exposures as percentage of total assets	<b>23.35%</b>		

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

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

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
As at 30 Jun 2019			
1. Central government, central government-owned entities and their subsidiaries and JVs	83,066,947	18,576,412	101,643,359
2. Local governments, local government-owned entities and their subsidiaries and JVs	9,022,966	1,182,682	10,205,648
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	19,032,684	3,478,724	22,511,408
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	–	211,599	211,599
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,194,294	–	1,194,294
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
<b>Total</b>	<b>112,316,891</b>	<b>23,449,417</b>	<b>135,766,308</b>
Total assets after provisions	497,266,885		
On-balance sheet exposures as percentage of total assets	22.59%		

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

#### (ix) Foreign currency exposures

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

<b>Equivalent in millions of HK\$</b>	<b>Chinese Renminbi</b>	<b>US Dollars</b>	<b>Total</b>
As at 31 Dec 2019			
Spot assets	<b>31,375</b>	<b>259,119</b>	<b>290,494</b>
Spot liabilities	<b>(66,340)</b>	<b>(213,115)</b>	<b>(279,455)</b>
Forward purchases	<b>122,028</b>	<b>192,247</b>	<b>314,275</b>
Forward sales	<b>(82,628)</b>	<b>(239,235)</b>	<b>(321,863)</b>
Net options position*	<b>(288)</b>	<b>288</b>	<b>–</b>
Net long (short) position	<b>4,147</b>	<b>(696)</b>	<b>3,451</b>
As at 30 Jun 2019			
Spot assets	47,978	256,162	304,140
Spot liabilities	(59,289)	(228,554)	(287,843)
Forward purchases	193,072	253,259	446,331
Forward sales	(177,341)	(281,607)	(458,948)
Net options position*	511	(804)	(293)
Net long (short) position	4,931	(1,544)	3,387

\* Delta equivalent approach is adopted.

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

## IV. Off-balance sheet exposures

### (i) Contingent liabilities and commitments

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>HK\$'000</b>	HK\$'000
	<b>Contract amount</b>	Contract amount
Direct credit substitutes	<b>10,493,692</b>	6,219,261
Trade related contingencies	<b>6,529,968</b>	7,699,807
Others commitments	<b>59,331,828</b>	59,442,386
Others	–	–
	<b>76,355,488</b>	73,361,454

### (ii) Derivatives

	<b>Contract amount</b>	<b>Fair value Assets</b>	<b>Fair value Liabilities</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
As at 31 Dec 2019			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	<b>438,561,280</b>	<b>2,007,151</b>	<b>2,358,099</b>
Interest rate contracts	<b>359,169,876</b>	<b>3,336,419</b>	<b>4,881,800</b>
Others	–	–	–
	<b>797,731,156</b>	<b>5,343,570</b>	<b>7,239,899</b>
As at 30 Jun 2019			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	548,886,512	2,666,569	3,290,008
Interest rate contracts	301,610,396	2,731,338	4,353,233
Others	–	–	–
	850,496,908	5,397,907	7,643,241

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

## V. Liquidity information

	31 Dec 2019	31 Dec 2018
Average liquidity coverage ratio ("LCR")		
– First quarter	<b>132.57%</b>	195.70%
– Second quarter	<b>128.71%</b>	165.96%
– Third quarter	<b>172.74%</b>	132.31%
– Fourth quarter	<b>166.85%</b>	130.27%
Average liquidity coverage ratio for the period	<b>150.78%</b>	155.51%
Net stable funding ratio ("NSFR")		
– First quarter end	<b>114.09%</b>	105.63%
– Second quarter end	<b>107.94%</b>	105.40%
– Third quarter end	<b>113.37%</b>	110.61%
– Fourth quarter end	<b>111.70%</b>	108.08%

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

The Branch's average LCR for the period is 150.78%. The Branch's NSFR for the quarter ends of year 2019 are 114.09%, 107.94%, 113.37% and 111.70% respectively.

In the fourth quarter of year 2019, the Branch's LCR decreased as a result of an increase in unsecured wholesale funding matured within 30 days, thus an increase in cash outflow.

In the fourth quarter end of year 2019, the Branch's NSFR decreased due to increase in customer loan.

Level 1 HQLA is the major component of the Branch's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Branch also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows are wholesale funding and loans during the quarter. Deposit is the major funding source of the Branch, other funding source include certificates of deposit and medium term notes etc.

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

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

The Branch has established internal limit and management action trigger level on LCR and NSFR to ensure our liquidity risk is controlled at the level commensurate with our risk appetite. The Branch's daily liquidity management is governed by liquidity management requirement of head office and there is considerable level of interaction between members of the parent group. The Branch submits liquidity management reports to head office regularly and participates in the group liquidity stress test.

## V. Liquidity information (Continued)

### LIQA: Liquidity risk management

Funding liquidity risk relates to the Branch's ability to fulfill its obligations arising from financial liabilities as they fall due, or its ability to fulfill maturing funding needs, which subsequently affects the Branch's capacity to support deposit withdrawal or drawdown on loan commitments. Effective liquidity risk management helps to sustain the expansion of the Branch's business with liquidity cost and risk under control. The Branch has established and implemented its own liquidity risk management policy per local regulatory requirements in order to fulfill its liquidity risk management. The Asset and Liability Management Committee of the Branch is the decision-making body in balance sheet management and is responsible for coordinating and overseeing all related strategies, including risk management framework and risk appetite. 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 short-term and longer-term funding. Regarding liquidity arrangement with Head Office, the Branch performs regular funding transfer with Head Office to preserve prompt intragroup backup funding supply if necessary. Monitoring and control on intragroup funding transactions are in line with those of third parties. Moreover, Head Office has set up group wide internal limits to control the Branch's reliance on Head Office's funding.

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

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

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

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



## V. Liquidity information (Continued)

### LIQA: Liquidity risk management (Continued)

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

<b>Equivalent in millions of HK\$</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Undated</b>	<b>Total</b>
As at 31 Dec 2019							
Total on-balance sheet assets	<b>246,059</b>	<b>58,487</b>	<b>73,022</b>	<b>107,439</b>	<b>5,864</b>	<b>6,019</b>	<b>496,890</b>
Total on-balance sheet liabilities	<b>227,697</b>	<b>113,530</b>	<b>50,658</b>	<b>70,163</b>	<b>5,491</b>	<b>29,351</b>	<b>496,890</b>
Net amount on liquidity gap	<b>18,362</b>	<b>(55,043)</b>	<b>22,364</b>	<b>37,276</b>	<b>373</b>	<b>(23,332)</b>	<b>–</b>
Net amount on liquidity gap of Irrevocable loan commitments	<b>(29,633)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,454</b>	<b>(10,179)</b>
As at 31 Dec 2018							
Total on-balance sheet assets	243,022	39,867	82,095	93,384	6,666	3,060	468,094
Total on-balance sheet liabilities	208,304	102,430	63,337	65,361	5,517	23,145	468,094
Net amount on liquidity gap	34,718	(62,563)	18,758	28,023	1,149	(20,085)	–
Net amount on liquidity gap of Irrevocable loan commitments	(31,931)	–	–	–	–	19,574	(12,357)

## V. Liquidity information (Continued)

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

2019 Fourth quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 31 Dec 2019: (75)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		121,860,633
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	2,036,164	186,584
3.	<i>Stable retail deposits and stable small business funding</i>	127,359	6,368
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,695,511	169,551
4a.	<i>Retail term deposits and small business term funding</i>	213,294	10,665
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	215,027,571	117,321,672
6.	<i>Operational deposits</i>	7,589,589	1,864,270
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	206,365,814	114,385,234
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,072,168	1,072,168
9.	Secured funding transactions (including securities swap transactions)		892,721
10.	Additional requirements, of which:	39,353,271	7,991,761
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,740,120	3,796,698
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>	28,613,151	4,195,063
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	7,320,582	7,320,582
15.	Other contingent funding obligations (whether contractual or non-contractual)	43,896,951	793,717
16.	<b>Total Cash Outflows</b>		134,507,037
<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	101,910,029	54,834,401
19.	Other cash inflows	5,764,607	5,764,607
20.	<b>Total Cash Inflows</b>	107,674,636	60,599,008
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		121,860,633
22.	<b>Total Net Cash Outflows</b>		73,908,029
23.	<b>LCR (%)</b>		166.85%

## V. Liquidity information (Continued)

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

2019 Third quarter:

Number of data points used in calculating the average value of the LCR and related components set out in this template for the quarter ending on 30 Sep 2019: (77)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		102,582,043
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,966,812	182,126
3.	<i>Stable retail deposits and stable small business funding</i>	119,454	5,973
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,675,707	167,571
4a.	<i>Retail term deposits and small business term funding</i>	171,651	8,582
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	194,989,736	108,250,524
6.	<i>Operational deposits</i>	7,097,568	1,741,615
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	185,654,810	104,271,551
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	2,237,358	2,237,358
9.	Secured funding transactions (including securities swap transactions)		892,103
10.	Additional requirements, of which:	40,101,261	8,806,938
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	11,292,783	4,335,506
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>	28,808,478	4,471,432
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	5,669,811	5,669,811
15.	Other contingent funding obligations (whether contractual or non-contractual)	41,112,181	786,621
16.	<b>Total Cash Outflows</b>		124,588,123
<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	113,104,786	55,268,843
19.	Other cash inflows	7,149,971	7,149,971
20.	<b>Total Cash Inflows</b>	120,254,757	62,418,814
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		102,582,043
22.	<b>Total Net Cash Outflows</b>		62,169,309
23.	<b>LCR (%)</b>		172.74%

## V. Liquidity information (Continued)

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

2019 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 2019: (71)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		99,565,628
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,829,586	169,687
3.	<i>Stable retail deposits and stable small business funding</i>	107,544	5,377
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,564,157	156,416
4a.	<i>Retail term deposits and small business term funding</i>	157,885	7,894
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	189,438,797	103,461,137
6.	<i>Operational deposits</i>	4,469,624	1,096,520
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	184,380,832	101,776,276
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	588,341	588,341
9.	Secured funding transactions (including securities swap transactions)		1,064,304
10.	Additional requirements, of which:	48,445,398	9,977,102
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	11,820,334	4,692,880
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>	36,625,064	5,284,222
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	6,638,988	6,638,988
15.	Other contingent funding obligations (whether contractual or non-contractual)	13,586,253	805,200
16.	<b>Total Cash Outflows</b>		122,116,418
<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	38,445,461	38,140,330
19.	Other cash inflows	6,309,682	6,309,682
20.	<b>Total Cash Inflows</b>	44,755,143	44,450,012
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		99,565,628
22.	<b>Total Net Cash Outflows</b>		77,666,406
23.	<b>LCR (%)</b>		128.71%

## V. Liquidity information (Continued)

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

2019 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 2019: (73)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		92,275,622
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	1,807,665	166,639
3.	<i>Stable retail deposits and stable small business funding</i>	97,300	4,865
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,525,119	152,512
4a.	<i>Retail term deposits and small business term funding</i>	185,246	9,262
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	175,555,081	96,095,495
6.	<i>Operational deposits</i>	4,438,949	1,095,036
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	169,374,270	93,258,597
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,741,862	1,741,862
9.	Secured funding transactions (including securities swap transactions)		575,872
10.	Additional requirements, of which:	45,066,245	8,805,157
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,218,260	3,781,705
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>	34,847,985	5,023,452
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	6,516,092	6,516,092
15.	Other contingent funding obligations (whether contractual or non-contractual)	40,650,762	803,382
16.	<b>Total Cash Outflows</b>		112,962,637
<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	89,917,482	37,172,746
19.	Other cash inflows	5,933,794	5,933,794
20.	<b>Total Cash Inflows</b>	95,851,276	43,106,540
<b>D. Liquidity Coverage Ratio</b>			<b>Adjusted value</b>
21.	<b>Total HQLA</b>		92,275,622
22.	<b>Total Net Cash Outflows</b>		69,856,097
23.	<b>LCR (%)</b>		132.57%

## V. Liquidity information (Continued)

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

2019 Fourth quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A. Available stable funding ("ASF") item</b>						
1.	Capital:	–	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	2,170,035	24,784	–	1,982,431
5.	<i>Stable deposits</i>	–	141,879	–	–	134,785
6.	<i>Less stable deposits</i>	–	2,028,156	24,784	–	1,847,646
7.	Wholesale funding:	–	336,654,241	5,549,365	28,040,764	172,825,167
8.	<i>Operational deposits</i>	–	9,923,914	–	–	4,961,957
9.	<i>Other wholesale funding</i>	–	326,730,327	5,549,365	28,040,764	167,863,210
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	3,429,954	28,828,798	10,995,422	77,273,433	82,771,144
12.	<i>Net derivative liabilities</i>	1,866,759	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,563,195	28,828,798	10,995,422	77,273,433	82,771,144
14.	<b>Total ASF</b>	–	–	–	–	257,578,742
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	30,208,557	23,610,239	67,715,119	13,483,996
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	41,920,362	140,542,172	25,865,091	150,020,591	206,154,467
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>	12,985,916	133,236,125	19,125,698	29,941,098	72,469,899

## V. Liquidity information (Continued)

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

2019 Fourth quarter end (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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	28,934,446	4,535,921	5,122,246	69,005,754	88,078,254
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	2,555	2,575	75,817	67,009
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	2,767,571	1,614,572	50,997,922	45,539,305
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	15,202,872	2,113,031	–	78,864	9,481,418
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>	2,490,770	–	–	–	2,117,155
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	5,477,238	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	7,234,864	2,113,031	–	78,864	7,364,263
32.	<i>Off-balance sheet items</i>	–	217,903	3,946	76,133,639	1,481,658
33.	<b>Total RSF</b>	–	–	–	–	230,601,539
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	111.70%

## V. Liquidity information (Continued)

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

2019 Third quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A. Available stable funding ("ASF") item</b>						
1.	Capital:	–	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	2,034,777	12,971	–	1,849,339
5.	<i>Stable deposits</i>	–	126,797	506	–	120,938
6.	<i>Less stable deposits</i>	–	1,907,980	12,465	–	1,728,401
7.	Wholesale funding:	–	350,513,931	4,858,171	25,192,862	160,439,455
8.	<i>Operational deposits</i>	–	6,795,712	–	–	3,397,856
9.	<i>Other wholesale funding</i>	–	343,718,219	4,858,171	25,192,862	157,041,599
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	4,323,381	15,580,066	20,136,920	79,738,965	89,807,425
12.	<i>Net derivative liabilities</i>	2,612,955	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,710,426	15,580,066	20,136,920	79,738,965	89,807,425
14.	<b>Total ASF</b>	–	–	–	–	252,096,219
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	42,465,238	14,676,050	71,804,880	13,149,683
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	39,020,067	161,381,294	27,231,057	137,033,694	197,962,839
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>	11,454,363	148,456,000	20,342,541	28,385,197	72,273,863



## V. Liquidity information (Continued)

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

2019 Third quarter end (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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	27,565,704	10,880,798	4,542,269	59,246,491	81,501,900
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>	–	3,245	3,136	93,327	82,518
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	2,041,251	2,343,111	49,308,679	44,104,558
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	17,964,087	2,031,501	–	120,025	10,223,876
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>	2,070,230	–	–	–	1,759,696
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	7,785,615	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	8,108,242	2,031,501	–	120,025	8,464,180
32.	Off-balance sheet items	–	235,254	148,571	63,204,004	1,022,116
33.	<b>Total RSF</b>	–	–	–	–	222,358,514
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	113.37%

## V. Liquidity information (Continued)

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

2019 Second quarter end:

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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>A. Available stable funding ("ASF") item</b>						
1.	Capital:	–	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	1,888,756	2,365	–	1,707,895
5.	<i>Stable deposits</i>	–	116,710	1,010	–	111,834
6.	<i>Less stable deposits</i>	–	1,772,046	1,355	–	1,596,061
7.	Wholesale funding:	–	327,731,399	16,825,570	25,139,600	151,350,218
8.	<i>Operational deposits</i>	–	8,576,453	–	–	4,288,227
9.	<i>Other wholesale funding</i>	–	319,154,946	16,825,570	25,139,600	147,061,991
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	11,946,141	9,584,649	24,314,717	74,189,096	86,346,455
12.	<i>Net derivative liabilities</i>	2,019,349	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	9,926,792	9,584,649	24,314,717	74,189,096	86,346,455
14.	<b>Total ASF</b>	–	–	–	–	239,404,568
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	48,688,084	17,360,790	65,056,387	12,672,766
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	43,007,939	141,971,039	33,762,313	131,269,779	198,395,359
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>	17,151,152	125,701,283	25,215,866	17,658,816	66,273,093

## V. Liquidity information (Continued)

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

2019 Second quarter end (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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	25,856,787	14,991,487	4,749,526	53,696,807	77,491,061
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>	–	3,330	3,014	95,220	84,109
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>	–	1,274,939	3,793,907	59,818,936	54,547,096
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	15,028,651	1,589,718	–	103,705	8,959,266
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>	1,579,299	–	–	–	1,342,404
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	6,158,835	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	7,290,517	1,589,718	–	103,705	7,616,862
32.	<i>Off-balance sheet items</i>	–	25,614	277,511	73,058,329	1,758,578
33.	<b>Total RSF</b>	–	–	–	–	221,785,969
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	107.94%

## V. Liquidity information (Continued)

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

2019 First quarter end:

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>A. Available stable funding ("ASF") item</b>						
1.	Capital:	–	–	–	–	–
2.	<i>Regulatory capital</i>	–	–	–	–	–
2a.	<i>Minority interests not covered by row 2</i>	–	–	–	–	–
3.	<i>Other capital instruments</i>	–	–	–	–	–
4.	Retail deposits and small business funding:	–	1,793,854	2,812	–	1,622,049
5.	<i>Stable deposits</i>	–	100,994	–	–	95,944
6.	<i>Less stable deposits</i>	–	1,692,860	2,812	–	1,526,105
7.	Wholesale funding:	–	304,623,684	27,231,587	26,311,370	161,809,825
8.	Operational deposits	–	4,068,563	–	–	2,034,282
9.	Other wholesale funding	–	300,555,121	27,231,587	26,311,370	159,775,543
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	1,855,036	8,435,855	11,934,741	82,135,847	88,103,218
12.	<i>Net derivative liabilities</i>	450,812	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,404,224	8,435,855	11,934,741	82,135,847	88,103,218
14.	<b>Total ASF</b>	–	–	–	–	251,535,092
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	39,448,380	15,795,329	66,668,981	13,068,230
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	45,071,559	120,228,657	38,453,476	130,531,487	197,597,161
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	20,672,559	107,619,389	28,381,354	15,870,590	66,876,734

## V. Liquidity information (Continued)

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

2019 First quarter end (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	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	24,399,000	11,164,915	7,297,327	50,943,287	73,272,065
21.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
22.	<i>Performing residential mortgages, of which:</i>	–	1,642	1,368	41,457	36,743
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>	–	1,442,711	2,773,427	63,676,153	57,411,619
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	13,045,972	1,347,263	–	–	8,097,308
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>	907,151	–	–	–	771,078
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	5,272,969	–	–	–	N/A
31.	<i>All other assets not included in the above categories</i>	6,865,852	1,347,263	–	–	7,326,230
32.	<i>Off-balance sheet items</i>	–	9,417	223,481	69,869,121	1,700,932
33.	<b>Total RSF</b>	–	–	–	–	220,463,631
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	114.09%

## VI. Disclosure of remuneration policy

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

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

Established under the Board of Directors of the Head Office, the Personnel & Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on its scale and structure according to the Group’s operation results, the scale of assets and the structure of shareholding, approving and amending the policies on diversification of members of the Board of Directors, making recommendations to the Board of Directors on developing the criteria and procedures for election and assessment of the Group’s Directors and Senior Management, reviewing the basic systems and policies of the Group’s compensation management, and the remuneration plan for Directors and Senior Management. Personnel & Remuneration Committee performed the functions of both a Nomination Committee and a Remuneration Committee. Relevant policies are applicable to the staff of its overseas institutions including the Branch (please refer to the Annual Report (H Share) of Bank of Communications Co., Ltd. for details on the Personnel & Remuneration Committee and related information on the meetings held).

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

### (ii) Remuneration policy

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

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

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

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

## VI. Disclosure of remuneration policy (Continued)

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

	31 Dec 2019 (No. of Senior Management: 23 No. of Key Personnel: 10) <sup>Note 2</sup>		31 Dec 2018 (No. of Senior Management: 21 No. of Key Personnel: 11) <sup>Note 2</sup>	
	Non-deferred HK\$'000	Deferred HK\$'000	Non-deferred HK\$'000	Deferred HK\$'000
Fixed Remuneration				
– Cash	54,263	–	35,770	–
– Shares and share-linked instruments	–	–	–	–
Variable Remuneration				
– Cash	32,060	8,488	23,089	8,560
– Shares and share-linked instruments	–	–	–	–

### (iii)(b) Deferred remuneration

	31 Dec 2019 HK\$'000	31 Dec 2018 HK\$'000
Vested		
– Cash	6,445	4,621
– Shares and share-linked instruments	–	–
Unvested		
– Cash	11,254	8,405
– Shares and share-linked instruments	–	–
	<b>17,699</b>	13,026
Awarded	<b>8,488</b>	8,560
Paid out	<b>6,445</b>	4,621
Reduced through performance adjustments	–	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	<b>11,254</b>	8,405
Total amount of reductions during the financial year due to:		
– Ex post explicit adjustment	–	–
– Ex post implicit adjustment	–	–

*Note:*

- Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part. No guaranteed minimum bonuses without regard to an employee's performance, sign-on or severance payments were awarded and made to Senior Management and Key Personnel during the financial years of 2018 and 2019.
- Included staff newly joined or left the Branch during the financial year.

## SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)

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

	<b>31 Dec 2019</b>	30 Jun 2019
	<b>CNY million</b>	CNY million
		(Unaudited)
Total loans and advances	<b>5,183,653</b>	5,013,630
Total customer deposits	<b>6,072,908</b>	6,135,448
Total assets	<b>9,905,600</b>	9,886,608
Total liabilities	<b>9,104,688</b>	9,162,860
Shareholders' equity	<b>793,247</b>	716,490
Capital adequacy ratio	<b>14.83%</b>	13.84%

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

	<b>31 Dec 2019</b>	31 Dec 2018
	<b>(12 months)</b>	(12 months)
	<b>CNY million</b>	CNY million
Pre-tax profit	<b>88,200</b>	86,067

**Wang Feng, Chief Executive**  
**Bank of Communications Co., Ltd. Hong Kong Branch**  
8 April 2020