

Financial Information Disclosure Statement
As at 31 December 2017
(Unaudited)

Section A - Branch Information (Hong Kong Offices only)

I. Profit and loss information	31 Dec 2017 (12 months) HKD'000	31 Dec 2016 (12 months) HKD'000	Variance %
Interest income	12,732,409	10,519,499	+21.04
Interest expense	<u>(7,767,167)</u>	<u>(6,066,395)</u>	+28.04
Net interest income	4,965,242	4,453,104	+11.50
Commission and fees income	1,723,353	1,550,961	+11.12
Commission and fees expenses	<u>(89,624)</u>	<u>(83,118)</u>	+7.83
Net commission and fees income	1,633,729	1,467,843	+11.30
- Gains less losses arising from trading in foreign currencies	909,272	1,087,298	-16.37
- Gains less losses on securities held for trading purposes	(4,161)	70,755	-105.88
- Gains less losses from other trading activities	12,085	190,753	-93.66
- Others	<u>143,952</u>	<u>423,009</u>	-65.97
Other operating gains less losses	<u>1,061,148</u>	<u>1,771,815</u>	-40.11
	7,660,119	7,692,762	-0.42
Operating expenses			
Staff and rental expenses	(1,720,702)	(1,629,040)	+5.63
Other operating expenses	(649,832)	(516,934)	+25.71
Charge of impairment losses and allowances for impaired loans and receivables	(132,199)	(315,954)	-58.16
Write back of impairment allowances for available-for-sale investment securities	31,104	198,319	-84.32
Gains less losses from revaluation of investment properties	<u>48,520</u>	<u>34,772</u>	+39.54
Profit before taxation	5,237,010	5,463,925	-4.15
Tax expense	<u>(838,037)</u>	<u>(680,030)</u>	+23.24
Profit after taxation	<u>4,398,973</u>	<u>4,783,895</u>	-8.05
 II. Balance sheet information			
	31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
Assets			
Cash and balances with banks	79,081,973	11,087,271	+613.27
Amount due from Exchange Fund repayable or callable within one month	2,159,382	3,616,096	-40.28
Placements with banks with residual maturity between one and twelve months	26,911,127	27,321,888	-1.50
Amount due from overseas offices	15,643,835	97,241,681	-83.91
Trade bills	52,020,488	66,488,640	-21.76
Certificates of deposit held	57,151,383	51,994,570	+9.92
Securities held for trading purposes	11,208,891	9,175,710	+22.16
Loans and receivables	220,536,259	207,432,661	+6.32
Investment securities	129,326,260	124,157,604	+4.16
Other investments	316,160	236,022	+33.95
Property, plant and equipment and investment properties	<u>752,449</u>	<u>702,106</u>	+7.17
Total assets	<u>595,108,207</u>	<u>599,454,249</u>	-0.72
Liabilities			
Deposits and balances from banks	21,571,959	63,112,793	-65.82
Deposits from customers - Demand deposits and current accounts	16,743,736	15,537,231	+7.77
- Saving deposits	88,430,094	84,119,707	+5.12
- Time, call and notice deposits	334,914,520	321,740,300	+4.09
Amount due to overseas offices	34,228,554	25,601,950	+33.70
Certificates of deposit issued	22,011,498	26,397,076	-16.61
Debt securities issued	38,901,132	31,589,336	+23.15
Other liabilities	38,253,783	31,297,387	+22.23
Provisions	<u>52,931</u>	<u>58,469</u>	-9.47
Total liabilities	<u>595,108,207</u>	<u>599,454,249</u>	-0.72

III. Additional balance sheet information	31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
(i) Loans and receivables			
- Loans and advances to customers	205,516,451	193,833,999	+6.03
- Accrued interest and other accounts	<u>16,245,426</u>	<u>14,599,723</u>	+11.27
	<u>221,761,877</u>	<u>208,433,722</u>	+6.39
Less: Impairment allowances for impaired loans and receivables			
- Collective impairment allowances (for loans and advances to customers)	(957,680)	(751,152)	+27.49
- Individual impairment allowances (for loans and advances to customers)	(218,368)	(206,789)	+5.60
- Individual impairment allowances (for accrued interest)	(44,239)	(37,867)	+16.83
- Individual impairment allowances (for other accounts)	<u>(5,331)</u>	<u>(5,253)</u>	+1.48
	<u>(1,225,618)</u>	<u>(1,001,061)</u>	+22.43
	<u><u>220,536,259</u></u>	<u><u>207,432,661</u></u>	+6.32

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

(ii) (a) Impaired loans and advances			
Gross impaired loans and advances to customers	492,334	1,077,155	-54.29
As percentage of total loans and advances to customers	0.24	0.56	-0.32
Individual impairment allowances	218,368	206,789	+5.60

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

(ii) (b) Impaired loans and advances by geographical area			
Hong Kong	79,413	80,596	-1.47
People's Republic of China	<u>412,921</u>	<u>996,559</u>	-58.57
	<u><u>492,334</u></u>	<u><u>1,077,155</u></u>	-54.29

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	404,023	905,297	-55.37
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(iii) Trade bills			
Gross trade bills	52,237,861	66,795,815	-21.79
Less: Impairment allowances			
- Collective impairment allowances	(152,169)	(238,697)	-36.25
- Individual impairment allowances	<u>(65,204)</u>	<u>(68,478)</u>	-4.78
	<u>(217,373)</u>	<u>(307,175)</u>	-29.23
	<u><u>52,020,488</u></u>	<u><u>66,488,640</u></u>	-21.76

(iv) Investment securities			
Gross investment securities	129,326,260	124,157,604	+4.16
Less: Individual impairment allowances	<u>-</u>	<u>-</u>	-
	<u><u>129,326,260</u></u>	<u><u>124,157,604</u></u>	+4.16

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

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

	31 Dec 2017 HKD'000	% of secured loans and advances	30 Jun 2017 HKD'000	% of secured loans and advances	Variance %
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
- Property development	14,347,744	13.38	12,253,645	12.11	+17.09
- Property investment	11,199,564	98.98	9,831,170	98.82	+13.92
- Financial concerns	47,889,923	10.33	41,896,240	12.36	+14.31
- Stockbrokers	5,198,229	3.62	4,961,865	16.04	+4.76
- Wholesale and retail trade	6,778,458	48.89	7,933,551	39.71	-14.56
- Manufacturing	6,871,957	3.52	5,887,073	4.41	+16.73
- Transport and transport equipment	5,145,672	71.35	5,316,119	68.39	-3.21
- Recreational activities	993,009	100.00	993,260	100.00	-0.03
- Information technology	515,311	-	602,360	-	-14.45
- Others	25,494,063	33.97	24,751,585	33.74	+3.00
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	237,802	99.33	255,812	99.64	-7.04
- Loans for the purchase of other residential properties	15,205,914	100.00	15,970,840	100.00	-4.79
- Credit card advances	204,844	-	171,782	-	+19.25
- Others	10,716,872	76.22	9,763,545	76.58	+9.76
Sub-total	150,799,362		140,588,847		+7.26
Trade finance	2,103,230	14.58	1,841,484	9.35	+14.21
Loans and advances for use outside Hong Kong					
	52,613,859	24.75	51,403,668	22.60	+2.35
Total	205,516,451	35.01	193,833,999	35.62	+6.03

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

	31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
Hong Kong	92,123,916	89,756,506	+2.64
People's Republic of China	106,163,979	98,663,350	+7.60
Other countries	7,228,556	5,414,143	+33.51
	205,516,451	193,833,999	+6.03

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\$	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
<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
<u>As at 30 Jun 2017</u>					
Developing Asia-Pacific	113,341	11,922	29,759	59,437	214,459
of which China	111,174	11,420	29,759	58,414	210,767
Developed countries	40,954	146	9,206	231	50,537

(vii)(a) Overdue loans and advances to customers	31 Dec 2017 HKD'000	% of total loans and advances to customers	30 Jun 2017 HKD'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	-	8,059	-
More than 6 months but not more than one year	8,643	-	488,649	0.25
More than one year	471,003	0.23	37,360	0.02
	<u>481,769</u>	0.23	<u>534,068</u>	0.27
		31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
Market value of collateral held against the secured overdue loans and advances		408,686	459,911	-11.14
Secured overdue loans and advances		399,135	450,370	-11.38
Unsecured overdue loans and advances		82,634	83,698	-1.27
Individual impairment allowances		213,528	197,432	+8.15
Overdue loans and advances to customers by geographical area				
Hong Kong		71,734	72,313	-0.80
People's Republic of China		410,035	461,755	-11.20
		<u>481,769</u>	<u>534,068</u>	-9.79

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 2017 HKD'000	% of trade bills	30 Jun 2017 HKD'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	-	101,574	0.15
More than 6 months but not more than one year	46,077	0.09	11,262	0.02
More than one year	15,729	0.03	4,457	0.01
	<u>63,101</u>	0.12	<u>117,293</u>	0.18
		% of debt securities		% of debt securities
Gross debt securities 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 one year	-	-	-	-
More than one year	-	-	-	-
	<u>-</u>	-	<u>-</u>	-
		31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
Secured overdue assets		-	-	-
Unsecured overdue assets		63,101	117,293	-46.20
Individual impairment allowances		63,101	68,478	-7.85
Overdue assets by geographical area				
Hong Kong		17,024	15,719	+8.30
Singapore		46,077	101,574	-54.64
		<u>63,101</u>	<u>117,293</u>	-46.20

(vii)(c) Rescheduled loans	31 Dec 2017 HKD'000	30 Jun 2017 HKD'000	Variance %
Rescheduled loans to customers net of overdue more than three months	2,078	291,830	-99.29
As percentage of total loans and advances to customers	-	0.15	-0.15

(vii)(d) Repossessed assets

Repossessed assets are accounted as "Assets held for sale" and reported in "Other assets" and the relevant loans and advances are derecognized. The repossessed assets are measured at lower of carrying amount and net realizable value.

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

(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 exposure HKD'000	Off-balance sheet exposure HKD'000	Total exposures HKD'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	-	-	-
Total	<u>128,879,921</u>	<u>10,364,075</u>	<u>139,243,996</u>
Total assets after provisions	595,055,276		
On-balance sheet exposures as percentage of total assets	21.66%		

	On-balance sheet exposure HKD'000	Off-balance sheet exposure HKD'000	Total exposures HKD'000
<u>As at 30 Jun 2017</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	80,816,078	5,543,065	86,359,143
2. Local governments, local government-owned entities and their subsidiaries and JVs	8,932,160	116,622	9,048,782
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	28,260,670	6,669,430	34,930,100
4. Other entities of central government not reported in item 1 above	-	78,063	78,063
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	2,176,193	1,161,835	3,338,028
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>120,185,101</u>	<u>13,569,015</u>	<u>133,754,116</u>
Total assets after provisions	599,395,780		
On-balance sheet exposures as percentage of total assets	20.05%		

(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 Yuan	US Dollars	Total
<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
Net long (short) position	<u>7,849</u>	<u>7,576</u>	<u>15,425</u>
<u>As at 30 Jun 2017</u>			
Spot assets	75,703	250,102	325,805
Spot liabilities	(64,124)	(252,745)	(316,869)
Forward purchases	182,384	341,394	523,778
Forward sales	(179,822)	(340,752)	(520,574)
Net options position*	1,051	(978)	73
Net long (short) position	<u>15,192</u>	<u>(2,979)</u>	<u>12,213</u>

* 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	31 Dec 2017	30 Jun 2017	Variance %
		HKD'000 Contract amount	HKD'000 Contract amount	
	- Direct credit substitutes	5,750,686	6,157,776	-6.61
	- Trade related contingencies	6,821,991	6,142,375	+11.06
	- Others commitments	29,855,267	31,924,460	-6.48
	- Others	10,360,824	45,946,589	-77.45
		<u>52,788,768</u>	<u>90,171,200</u>	-41.46
(ii)	Derivatives	Contract amount HKD'000	Fair value assets HKD'000	Fair value liabilities HKD'000
	<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>
	<u>As at 30 Jun 2017</u>			
	Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	738,109,861	6,637,412	6,208,195
	Interest rate contracts	309,558,633	2,273,737	2,409,889
	Others	-	-	-
		<u>1,047,668,494</u>	<u>8,911,149</u>	<u>8,618,084</u>

None of the above derivatives contracts are subject to the bilateral netting arrangements.

V. Liquidity information

		31 Dec 2017 (12 months)	31 Dec 2016 (12 months)
Average liquidity coverage ratio	- First quarter	131.96%	145.79%
	- Second quarter	144.54%	132.54%
	- Third quarter	152.21%	120.76%
	- Fourth quarter	163.05%	131.50%
Average liquidity coverage ratio for the period		148.02%	132.43%

The Branch's average LCR for the first quarter of year 2017 maintained at similar level to the fourth quarter of year 2016.

In the second quarter of 2017, the Branch's LCR risen as a result of an increase in customer deposits.

In the third and fourth quarter of 2017, the Branch's LCR continued the upward trend due to an increase in customer deposits to replace interbank acceptance for the implementation of Net Stable Funding Ratio (NSFR) in 2018.

The Branch's average LCR for the year 2017 is 148.02%, above the regulatory requirement of 80%.

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.

LCR net cash outflow 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 to ensure our liquidity risk is controlled at the level commensurate with our risk appetite.

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 the Head Office's related policy and local regulatory requirements in order to fulfill its own duties in groupwide 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, 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

The Branch has set up early warning indicator system, and movement of relevant indicators are closely monitored on a regular basis. In case of liquidity crisis emerges, the 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.

Liquidity Coverage Ratio Standard Disclosure Template

2017 fourth quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 Dec 2017 : (73)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			82,645,436
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		170,954,260	12,597,078
3. <i>Stable retail deposits and stable small business funding</i>		5,271,163	263,558
4. <i>Less stable retail deposits and less stable small business funding</i>		80,987,306	8,098,731
5. <i>Retail term deposits and small business term funding</i>		84,695,791	4,234,789
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		180,654,755	105,331,423
7. <i>Operational deposits</i>		115,439	28,626
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		179,112,198	103,875,679
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		1,427,118	1,427,118
10. Secured funding transactions (including securities swap transactions)			7,362,974
11. Additional requirements, of which:		50,600,097	9,882,729
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		15,480,674	4,906,266
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		0	0
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		35,119,423	4,976,463
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		6,531,992	6,531,992
16. Other contingent funding obligations (whether contractual or non-contractual)		39,369,995	714,532
17. TOTAL CASH OUTFLOWS			142,420,728
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		138,747,586	77,524,398
20. Other cash inflows		12,457,004	12,454,905
21. TOTAL CASH INFLOWS		151,204,590	89,979,303
D. LIQUIDITY COVERAGE RATIO			
			ADJUSTED VALUE
22. TOTAL HQLA			82,645,436
23. TOTAL NET CASH OUTFLOWS			53,058,412
24. LCR (%)			163.05%

2017 third quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 Sep 2017 : (77)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			82,772,541
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		176,105,199	12,857,954
3. <i>Stable retail deposits and stable small business funding</i>		5,032,380	251,619
4. <i>Less stable retail deposits and less stable small business funding</i>		81,053,874	8,105,388
5. <i>Retail term deposits and small business term funding</i>		90,018,945	4,500,947
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		157,536,720	88,353,432
7. <i>Operational deposits</i>		0	0
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		155,672,567	86,489,279
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		1,864,153	1,864,153
10. Secured funding transactions (including securities swap transactions)			11,572,767
11. Additional requirements, of which:		74,102,458	14,897,934
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		39,262,014	9,772,070
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		0	0
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		34,840,444	5,125,864
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		5,195,517	5,195,517
16. Other contingent funding obligations (whether contractual or non-contractual)		38,710,957	673,578
17. TOTAL CASH OUTFLOWS			133,551,182
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		133,566,817	70,161,780
20. Other cash inflows		7,946,256	7,944,081
21. TOTAL CASH INFLOWS		141,513,073	78,105,861
D. LIQUIDITY COVERAGE RATIO			
			ADJUSTED VALUE
22. TOTAL HQLA			82,772,541
23. TOTAL NET CASH OUTFLOWS			55,445,321
24. LCR (%)			152.21%

2017 second quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 30 June 2017 : (71)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			78,936,312
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		176,847,293	12,723,787
3. <i>Stable retail deposits and stable small business funding</i>		4,862,015	243,101
4. <i>Less stable retail deposits and less stable small business funding</i>		77,628,452	7,762,845
5. <i>Retail term deposits and small business term funding</i>		94,356,826	4,717,841
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		157,576,478	91,404,172
7. <i>Operational deposits</i>		-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		153,349,895	87,177,589
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		4,226,583	4,226,583
10. Secured funding transactions (including securities swap transactions)			14,403,686
11. Additional requirements, of which:		94,429,289	18,075,208
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		59,498,041	13,200,253
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		34,931,248	4,874,955
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		4,272,563	4,272,563
16. Other contingent funding obligations (whether contractual or non-contractual)		37,686,972	659,335
17. TOTAL CASH OUTFLOWS			141,538,751
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		135,421,175	75,385,001
20. Other cash inflows		9,990,056	9,986,054
21. TOTAL CASH INFLOWS		145,411,231	85,371,055
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA			78,936,312
23. TOTAL NET CASH OUTFLOWS			56,229,523
24. LCR (%)			144.54%

2017 first quarter:

Number of data points used in calculating the average value of the Liquidity Coverage Ratio (LCR) and related components set out in this Template for the quarter ending on 31 March 2017 : (73)		Currency: (HKD '000)	
Basis of disclosure: Hong Kong office		UNWEIGHTED AMOUNT (Average Value)	WEIGHTED AMOUNT (Average Value)
A. HIGH QUALITY LIQUID ASSETS			
1. Total high quality liquid assets (HQLA)			78,056,291
B. CASH OUTFLOWS			
2. Retail deposits and small business funding, of which:		173,453,489	12,325,352
3. <i>Stable retail deposits and stable small business funding</i>		4,741,997	237,100
4. <i>Less stable retail deposits and less stable small business funding</i>		73,053,562	7,305,356
5. <i>Retail term deposits and small business term funding</i>		95,657,930	4,782,896
6. Unsecured wholesale funding (other than small business funding) and debt securities and prescribed instruments issued by the institution, of which:		147,556,091	85,472,833
7. <i>Operational deposits</i>		-	-
8. <i>Unsecured wholesale funding (other than small business funding) not covered in Row 7</i>		144,984,738	82,901,480
9. <i>Debt securities and prescribed instruments issued by the institution and redeemable within the LCR period</i>		2,571,353	2,571,353
10. Secured funding transactions (including securities swap transactions)			12,841,233
11. Additional requirements, of which:		84,597,780	15,570,187
12. <i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>		47,875,237	10,793,975
13. <i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>		-	-
14. <i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>		36,722,543	4,776,212
15. Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows		6,886,702	6,886,702
16. Other contingent funding obligations (whether contractual or non-contractual)		31,484,040	666,227
17. TOTAL CASH OUTFLOWS			133,762,534
C. CASH INFLOWS			
18. Secured lending transactions (including securities swap transactions)		-	-
19. Secured and unsecured loans (other than secured lending transactions covered in Row 18) and operational deposits placed at other financial institutions		113,035,671	62,043,647
20. Other cash inflows		10,496,089	10,459,648
21. TOTAL CASH INFLOWS		123,531,760	72,503,295
D. LIQUIDITY COVERAGE RATIO			
22. TOTAL HQLA			78,056,291
23. TOTAL NET CASH OUTFLOWS			61,259,239
24. LCR (%)			131.96%

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 Hong Kong Monetary Authority, the following disclosures are made:

(i) Governance structure of the remuneration system

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

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

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

(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 risk and strategic risk.

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

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

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

(iii) Aggregate amount of remuneration for senior management and key personnel^{Note 1}

HKD'000	2017 (No. of Senior Management : 11 No. of Key Personnel : 8) ^{Note 2}		2016 (No. of Senior Management : 9 No. of Key Personnel : 9) ^{Note 2}	
	Non-deferred	Deferred	Non-deferred	Deferred
	Fixed Remuneration			
– Cash	29,380	-	27,205	-
– Shares and share-linked instruments	-	-	-	-
Variable Remuneration				
– Cash	21,627	4,544	27,384	4,307
– Shares and share-linked instruments	-	-	-	-

Deferred Remuneration		2017	2016
HKD'000			
Vested			
– Cash		4,023	3,012
– Shares and share-linked instruments		-	-
Unvested (As at 31 Dec)			
– Cash		4,466	3,945
– Shares and share-linked instruments		-	-
Total		8,489	6,957
Awarded		4,544	4,307
Paid out		4,023	3,012
Reduced through performance adjustments		-	-
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit/ implicit adjustments		4,466	3,945
Total amount of reductions during the financial year due to:			
– Ex post explicit adjustment		-	-
– Ex post implicit adjustment		-	-

Note:

1. Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part; and 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 2016 and 2017.

2. 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

	31 Dec 2017 CNY million	30 Jun 2017 CNY million (Unaudited)	Variance %
Total loans and advances	4,354,499	4,270,542	+1.97
Total customer deposits	4,930,345	4,938,694	-0.17
Total assets	9,038,254	8,930,838	+1.20
Total liabilities	8,361,983	8,282,430	+0.96
Shareholders' equity	671,143	643,250	+4.34
Capital adequacy ratio	14.00%	13.86%	+0.14

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

	31 Dec 2017 (12 months) CNY million	31 Dec 2016 (12 months) CNY million	Variance %
Pre-tax profit	83,265	86,110	-3.30

Wang Feng
Bank of Communications Co., Ltd. Hong Kong Branch
Chief Executive
29 March 2018