



Bank of Communications Co., Ltd. Hong Kong Branch

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

REGULATORY DISCLOSURE STATEMENT

31 December 2023 (Unaudited)



CREATE SHARED VALUE

Bank of Communications Co., Ltd. Hong Kong Branch

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

SECTION A – BRANCH INFORMATION (HONG KONG OFFICES ONLY)

I. Profit and loss information

	31 Dec 2023 (12 months) HK\$'000	31 Dec 2022 (12 months) HK\$'000
Interest income	16,783,896	8,034,977
Interest expense	(11,424,972)	(5,740,161)
Net interest income	5,358,924	2,294,816
Commission and fees income	819,547	922,243
Commission and fees expenses	(32,549)	(42,725)
Net commission and fees income	786,998	879,518
Gains less losses arising from trading in foreign currencies	(807,656)	(87,881)
Gains less losses on securities held for trading purposes	26,636	(325,284)
Gains less losses from other trading activities	(168,579)	(404,300)
Others	(660,332)	792,358
Other operating gains less losses	(1,609,931)	(25,107)
	4,535,991	3,149,227
Operating expenses		
Staff and rental expenses	(1,248,899)	(1,111,267)
Other operating expenses	(418,574)	(358,695)
Charge of impairment allowances for loans and receivables	(41,651)	(908,544)
Charge of other impairment allowances	(43,877)	(22,086)
Gains less losses from disposal of tangible fixed assets	(132)	(490)
Gains less losses from revaluation of investment properties	(3,520)	(413)
Profit before taxation	2,779,338	747,732
Income tax expense	(470,317)	(112,947)
Profit after taxation	2,309,021	634,785

II. Balance sheet information

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Assets		
Cash and balances with banks	14,359,470	21,107,011
Amount due from Exchange Fund repayable or callable within one month	471,411	462,537
Placements with banks with residual maturity between one and twelve months	11,032,720	31,693,755
Amount due from overseas offices	107,951,636	53,643,084
Trade bills	1,565,409	2,002,503
Certificates of deposit held	426,744	1,307,577
Securities held for trading purposes	4,336,617	3,553,409
Loans and receivables	144,672,501	152,794,192
Investment securities	99,461,224	96,415,608
Other investments	1,299,749	760,598
Property, plant and equipment and investment properties	713,594	695,352
Total assets	386,291,075	364,435,626
Liabilities		
Amount due to Exchange Fund	55,000	40,000
Deposits and balances from banks	48,004,389	23,644,047
Deposits from customers		
– Demand deposits and current accounts	4,348,681	5,624,459
– Saving deposits	25,640,727	25,825,941
– Time, call and notice deposits	71,654,213	81,162,377
Amount due to overseas offices	71,911,829	54,102,466
Certificates of deposit issued	39,335,570	31,580,803
Debt securities issued	42,415,678	47,213,593
Other liabilities	82,768,772	95,107,444
Provisions	156,216	134,496
Total liabilities	386,291,075	364,435,626

III. Additional balance sheet information

(i) Loans and receivables

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Loans and receivables		
Loans and advances to customers	100,372,697	95,783,543
Loans and advances to banks	–	–
Accrued interest and other accounts	46,498,000	59,329,882
	146,870,697	155,113,425
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	(171,649)	(150,327)
– for loans and advances to banks	–	–
– for accrued interest and other accounts	(7,683)	(8,621)
Stage 3 provision for ECL		
– for loans and advances to customers	(2,005,479)	(2,094,104)
– for accrued interest and other accounts	(13,385)	(66,181)
	(2,198,196)	(2,319,233)
	144,672,501	152,794,192

No impairment allowance for loans and advances and other accounts is maintained at the Head Office as at 31 Dec 2023 and 30 Jun 2023.

(ii)(a) Impaired loans and advances

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Gross impaired loans and advances to customers	2,384,280	2,909,947
As percentage of total loans and advances to customers	2.38	3.04
Stage 3 provision for ECL	2,005,479	2,094,104

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

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Hong Kong	2,384,280	2,906,403
Other countries	–	3,544
	2,384,280	2,909,947

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

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Market value of collateral related to impaired loans and advances to customers	1,187,839	1,672,502

(iii) Trade bills

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Gross trade bills	1,583,760	2,017,220
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	(18,351)	(6,397)
Stage 3 provision for ECL	–	(8,320)
	(18,351)	(14,717)
	1,565,409	2,002,503

(iv) Investment securities

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Gross investment securities	99,461,719	96,416,332
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	(495)	(724)
Stage 3 provision for ECL	–	–
	99,461,224	96,415,608

No impairment allowances for investment securities are maintained at the Head Office as at 31 Dec 2023 and 30 Jun 2023.

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 2023 HK\$'000	% of secured loans and advances	30 Jun 2023 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	11,569,212	39.15	5,144,200	13.20
– Property investment	1,923,636	47.08	2,656,959	61.43
– Financial concerns	28,218,368	–	30,668,412	–
– Stockbrokers	1,924,046	–	2,616,561	–
– Wholesale and retail trade	757,639	24.49	798,887	26.27
– Manufacturing	3,414,779	3.38	3,441,324	3.62
– Transport and transport equipment	6,838,521	44.56	5,750,439	56.36
– Recreational activities	–	–	770,000	–
– Information technology	–	–	–	–
– Others	15,515,976	5.57	13,705,060	8.67
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	70,162,177		65,551,842	
Trade finance	755,395	44.14	642,479	46.76
Loans and advances for use outside Hong Kong	29,455,125	14.37	29,589,222	19.84
Total	100,372,697	14.16	95,783,543	13.83

III. Additional balance sheet information (Continued)

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

	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
Hong Kong	81,761,052	78,726,933
Mainland China	7,686,823	10,252,950
Other countries	10,924,822	6,803,660
	100,372,697	95,783,543

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

(vi) International claims

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

Equivalent in millions of HK\$	Bank	Official Sector	Non-bank financial institutions	Non-financial private sector	Total
As at 31 Dec 2023					
Developing Asia-Pacific	147,983	11,109	2,199	7,279	168,570
of which: Mainland China	146,015	8,881	2,199	7,279	164,374
Developed countries	18,174	7,161	18,575	7,156	51,066
Offshore centres	270	17,354	37,118	19,590	74,332
of which: Hong Kong	256	17,354	34,371	19,224	71,205
As at 30 Jun 2023					
Developing Asia-Pacific	122,425	9,349	6,445	6,658	144,877
of which: Mainland China	121,049	7,541	6,445	6,658	141,693
Developed countries	15,520	5,258	21,397	6,604	48,779
Offshore centres	1,482	18,145	34,360	17,704	71,691
of which: Hong Kong	1,422	18,145	31,446	17,681	68,694

III. Additional balance sheet information (Continued)

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

	31 Dec 2023 HK\$'000	% of total loans and advances to customers	30 Jun 2023 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	4,491	–	164,663	0.17
More than 6 months but not more than 1 year	–	–	323,544	0.34
More than 1 year	2,379,789	2.37	2,421,740	2.53
	2,384,280	2.37	2,909,947	3.04
			31 Dec 2023 HK\$'000	30 Jun 2023 HK\$'000
Market value of collateral held against the secured overdue loans and advances			1,250,357	1,738,451
Secured overdue loans and advances			1,187,839	1,672,502
Unsecured overdue loans and advances			1,196,441	1,237,445
Stage 3 provision for ECL			2,005,479	2,094,104
Overdue loans and advances to customers by geographical area				
Hong Kong			2,384,280	2,906,403
Other countries			–	3,544
			2,384,280	2,909,947

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

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

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

III. Additional balance sheet information (Continued)

(vii)(b) Overdue assets

	31 Dec 2023 HK\$'000	% of trade bills	30 Jun 2023 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	-	-	8,320	0.41
	-	-	8,320	0.41

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2023 and 30 Jun 2023.

	31 Dec 2023 HK\$'000	30 Jun 2023 HK\$'000
Secured overdue assets	-	-
Unsecured overdue assets	-	8,320
Stage 3 provision for ECL	-	8,320
Overdue assets by geographical area		
Hong Kong	-	8,320
	-	8,320

(vii)(c) Rescheduled loans

There are no rescheduled loans to customers net of overdue more than 3 months as at 31 Dec 2023 and 30 Jun 2023.

(vii)(d) Repossessed assets

There are no repossessed assets held as at 31 Dec 2023 and 30 Jun 2023.

III. Additional balance sheet information (Continued)

(viii) Non-bank Mainland exposures

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

	On-balance sheet exposures HK\$'000	Off-balance sheet exposures HK\$'000	Total exposures HK\$'000
As at 31 Dec 2023			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	52,880,792	859,119	53,739,911
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,174,317	2,909	1,177,226
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	7,826,701	592,937	8,419,638
4. Other entities of central government not reported in item 1 above	145,778	155,386	301,164
5. Other entities of local governments not reported in item 2 above	–	54,626	54,626
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	360,999	–	360,999
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	62,388,587	1,664,977	64,053,564
Total assets after provisions	386,134,859		
On-balance sheet exposures as percentage of total assets	16.16%		

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 2023			
1. Central government, central government-owned entities and their subsidiaries and JVs	46,900,245	7,215,716	54,115,961
2. Local governments, local government-owned entities and their subsidiaries and JVs	857,816	424,985	1,282,801
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	10,125,236	754,031	10,879,267
4. Other entities of central government not reported in item 1 above	146,188	88,115	234,303
5. Other entities of local governments not reported in item 2 above	–	32,848	32,848
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	334,833	–	334,833
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	58,364,318	8,515,695	66,880,013
Total assets after provisions	364,301,130		
On-balance sheet exposures as percentage of total assets	16.02%		

III. Additional balance sheet information (Continued)

(ix) Foreign currency exposures

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

Equivalent in millions of HK\$	Chinese Renminbi	Gold	US Dollars	Total
As at 31 Dec 2023				
Spot assets	27,955	–	–	27,955
Spot liabilities	(93,035)	–	–	(93,035)
Forward purchases	214,020	4,790	–	218,810
Forward sales	(147,636)	(4,479)	–	(152,115)
Net options position*	142	–	–	142
Net long (short) position	1,446	311	–	1,757
As at 30 Jun 2023				
Spot assets	23,420	–	233,655	257,075
Spot liabilities	(68,213)	–	(197,611)	(265,824)
Forward purchases	162,088	–	206,090	368,178
Forward sales	(118,010)	–	(241,073)	(359,083)
Net options position*	4,175	–	(4,248)	(73)
Net long (short) position	3,460	–	(3,187)	273

* 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 2023	30 Jun 2023
	HK\$'000	HK\$'000
	Contract	Contract
	amount	amount
Direct credit substitutes	1,562,101	1,935,092
Trade related contingencies	5,865,957	6,376,060
Others commitments	39,843,790	33,424,052
Others	780,985	391,706
	48,052,833	42,126,910

(ii) Derivatives

	Contract	Fair value	Fair value
	amount	assets	liabilities
	HK\$'000	HK\$'000	HK\$'000
As at 31 Dec 2023			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	530,762,481	5,592,206	6,614,189
Interest rate contracts	619,669,991	24,789,523	23,625,957
Others	9,225,145	125,814	155,286
	1,159,657,617	30,507,543	30,395,432
As at 30 Jun 2023			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	460,274,596	5,604,392	7,823,897
Interest rate contracts	1,315,255,072	35,815,371	33,421,262
Others	1,557,970	28,641	9,203
	1,777,087,638	41,448,404	41,254,362

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

V. Liquidity information

	31 Dec 2023	31 Dec 2022*
Average liquidity coverage ratio ("LCR")		
– Fourth quarter	179.39%	199.89%
Average liquidity coverage ratio for the period	165.55%	168.31%
Net stable funding ratio ("NSFR")		
– Third quarter end	119.83%	114.94%
– Fourth quarter end	117.29%	113.41%

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

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

The Branch's average LCR in year 2023 was 165.55%. The Branch's NSFR for the quarter ends of year 2023 were 117.33%, 113.13%, 119.83% and 117.29% respectively.

In the fourth quarter of year 2023, the Branch's LCR increased as a result of increase in total HQLA and MM Taking beyond the LCR period.

In the fourth quarter end of year 2023, the Branch's NSFR decreased as a result of decrease in customer deposit and increase in 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, whereas other funding source include certificates of deposit and medium term notes etc.

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

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

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

V. Liquidity information (Continued)

LIQA: Liquidity risk management

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

The cornerstone of the Branch's funding sources is customer deposits. In order to strengthen its financing capabilities, the Branch focuses on building up core deposits while diversifying its funding sources via various channels. Additionally, the Branch maintains a liquidity arrangement with its Head Office engaging in regular funding transfers to ensure a reliable supply of intragroup backup funding, should the need arise. Monitoring and control of intragroup funding transactions are in line with the same standards as those applied to transactions with third parties. Moreover, the Head Office has implemented internal limits across the group to regulate the extent to which the Branch relies on funding from the Head Office.

The majority of the liquidity risk associated with the Branch arises from the mismatch in maturity between its assets and liabilities. To address this, the Branch conducts, regular cash flow analysis and projections for both on- and off-balance sheet items, categorizing them according to different maturity buckets to make sure the Branch can meet its funding requirements. Moreover, the Branch closely monitors off-balance sheet funding obligations (such as commitments or letters of guarantee) and assesses their impact on its liquidity capacity. Furthermore, the Branch strives to maintain a high level of marketability within its asset portfolio, enabling swift monetization in the event of an unforeseen liquidity crunch in the market.

The Branch has implemented a range of limits and indicators to effectively identify and manage liquidity risk. These include liquidity coverage ratio, loan-to-deposit ratio, concentration limits on customer deposits, interbank borrowing utilization ratio, etc. Relevant management information systems are employed to manage liquidity risk on a daily basis. Moreover, cash flow analysis is conducted on a daily basis to assess liquidity under normal circumstances, and regular stress tests are carried out, at least on a monthly basis, to evaluate the Branch's ability to withstand significant stress conditions. These stress test scenarios are designed with reference to the HKMA's Supervisory Policy Manuals as well as the historical liquidity stress scenarios. Taking into account historical data and plausible stress conditions, the Branch's stress test assesses the potential impact on all assets, liabilities and off-balance sheet positions, and allows for the estimation of potential funding short-falls. The results of these stress tests will be scrutinized, and appropriate measures will be taken if necessary.

The Branch has set up an early warning indicator system for closely monitoring the movement of relevant indicators on a regular basis. In case of a liquidity crisis, a Crisis Management Committee will be formed promptly to devise an appropriate contingency funding plan aimed at resolving the crisis. Moreover, drills are conducted on a regular basis to ensure readiness and feasibility of contingency funding plan in times of crisis.

To address unforeseen liquidity requirements, the Branch has set up a liquidity buffer consisting of a robust portfolio of highly liquid assets, such as cash, Exchange Fund Bills / Notes, unencumbered sovereign bonds and other high quality bonds. The liquidity buffer is managed by the Financial Management Department and operated by the 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:

Equivalent in millions of HK\$	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
As at 31 Dec 2023							
Total on-balance sheet assets	157,879	63,428	60,559	68,429	6,224	29,772	386,291
Total on-balance sheet liabilities	121,262	58,050	86,440	62,090	5,506	52,943	386,291
Net amount on liquidity gap	36,617	5,378	(25,881)	6,339	718	(23,171)	–
Net amount on liquidity gap of irrevocable loan commitments	(3,856)	–	–	–	–	19,525	15,669
As at 31 Dec 2022							
Total on-balance sheet assets	154,905	30,847	69,702	56,172	5,915	36,023	353,564
Total on-balance sheet liabilities	110,806	61,856	70,806	49,232	5,498	55,366	353,564
Net amount on liquidity gap	44,099	(31,009)	(1,104)	6,940	417	(19,343)	–
Net amount on liquidity gap of irrevocable loan commitments	(4,197)	–	–	–	–	19,494	15,297

V. Liquidity information (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution

2023 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 2023: (75)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
A. HQLA			
1.	Total HQLA		64,273,353
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	1,538,610	137,643
3.	<i>Stable retail deposits and stable small business funding</i>	91,875	4,594
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,214,258	121,425
4a.	<i>Retail term deposits and small business term funding</i>	232,477	11,624
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	93,285,211	60,992,073
6.	<i>Operational deposits</i>	4,476,486	1,092,322
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	87,988,940	59,079,966
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	819,785	819,785
9.	Secured funding transactions (including securities swap transactions)		–
10.	Additional requirements, of which:	22,554,806	7,091,378
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,421,256	5,565,225
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>	12,133,550	1,526,153
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	19,913,968	19,913,968
15.	Other contingent funding obligations (whether contractual or non-contractual)	38,559,747	322,904
16.	Total Cash Outflows		88,457,966
C. Cash Inflows			
17.	Secured lending transactions (including securities swap transactions)	–	–
18.	Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions	68,284,638	39,604,817
19.	Other cash inflows	31,437,441	11,904,142
20.	Total Cash Inflows	99,722,079	51,508,959
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		64,273,353
22.	Total Net Cash Outflows		36,949,007
23.	LCR (%)		179.39%

V. Liquidity information (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

2023 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	
A. Available stable funding ("ASF") item						
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:	–	1,480,324	10,732	–	1,346,627
5.	<i>Stable deposits</i>	–	93,525	–	–	88,849
6.	<i>Less stable deposits</i>	–	1,386,799	10,732	–	1,257,778
7.	Wholesale funding:	–	155,730,357	55,156,677	10,562,801	84,477,494
8.	<i>Operational deposits</i>	–	3,687,375	–	–	1,843,688
9.	<i>Other wholesale funding</i>	–	152,042,982	55,156,677	10,562,801	82,633,806
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	13,929,774	16,050,805	13,429,829	90,605,928	97,320,843
12.	<i>Net derivative liabilities</i>	13,008,107	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	921,667	16,050,805	13,429,829	90,605,928	97,320,843
14.	Total ASF	–	–	–	–	183,144,964
B. Required stable funding ("RSF") item						
15.	Total HQLA for NSFR purposes	–	22,249,466	7,108,129	40,172,873	7,770,304
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	31,016,164	132,160,917	22,053,847	86,728,634	138,336,832
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>	11,418,227	123,397,576	11,908,376	30,813,489	66,695,540

V. Liquidity information (Continued)

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

2023 Fourth quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	19,597,937	7,210,628	7,333,586	23,823,109	44,179,996
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>	–	43	–	12,134	10,336
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>	–	1,552,670	2,811,885	32,079,902	27,450,960
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	26,972,624	3,809,198	–	–	9,850,415
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>	8,105,984	–	–	–	6,890,086
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	16,749,804	–	–	–	837,490
31.	<i>All other assets not included in the above categories</i>	2,116,836	3,809,198	–	–	2,122,839
32.	<i>Off-balance sheet items</i>	–	151	20,843	47,250,854	192,785
33.	Total RSF	–	–	–	–	156,150,336
34.	Net Stable Funding Ratio (%)	–	–	–	–	117.29%

V. Liquidity information (Continued)

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

2023 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	
A. Available stable funding ("ASF") item						
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:	–	1,575,889	17,609	–	1,438,763
5.	<i>Stable deposits</i>	–	92,296	–	–	87,681
6.	<i>Less stable deposits</i>	–	1,483,593	17,609	–	1,351,082
7.	Wholesale funding:	–	159,878,697	40,843,164	8,748,626	76,029,959
8.	<i>Operational deposits</i>	–	4,047,382	–	–	2,023,691
9.	<i>Other wholesale funding</i>	–	155,831,315	40,843,164	8,748,626	74,006,268
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	19,356,356	15,614,063	10,912,942	94,103,580	99,560,051
12.	<i>Net derivative liabilities</i>	18,283,979	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,072,377	15,614,063	10,912,942	94,103,580	99,560,051
14.	Total ASF	–	–	–	–	177,028,773
B. Required stable funding ("RSF") item						
15.	Total HQLA for NSFR purposes	–	20,914,336	8,665,832	38,828,841	8,673,981
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	28,661,201	145,302,831	13,810,176	74,922,899	127,478,483
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>	11,052,567	132,693,733	5,641,904	31,253,792	65,031,371

V. Liquidity information (Continued)

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

2023 Third quarter end (Continued):

Basis of disclosure: Hong Kong office		Unweighted value by residual maturity				Weighted amount HK\$'000
		No specified term to maturity	< 6 months or repayable on demand	6 months to < 12 months	12 months or more	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
20.	<i>Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:</i>	17,608,634	9,734,900	5,872,308	17,395,092	37,556,771
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>	–	42	–	12,386	10,549
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>	–	2,874,156	2,295,964	26,261,629	24,879,792
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	43,410,550	5,586,761	–	–	11,079,671
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>	8,271,601	–	–	–	7,030,861
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	32,757,532	–	–	–	1,637,877
31.	<i>All other assets not included in the above categories</i>	2,381,417	5,586,761	–	–	2,410,933
32.	<i>Off-balance sheet items</i>	–	–	10,082	37,974,403	495,366
33.	Total RSF	–	–	–	–	147,727,501
34.	Net Stable Funding Ratio (%)	–	–	–	–	119.83%

VI. Disclosure of remuneration policy

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

(i) Governance structure of the remuneration system

Established under the Board of Directors of the Head Office, the Personnel & Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on its scale and structure according to the Group’s operating results, the scale of assets and the structure of shareholding; approving and amending the policies on diversification of members of the Board of Directors; making recommendations to the Board of Directors on formulating the selection procedures and assessment criteria for the Group’s directors and senior management personnel; reviewing the basic systems and policies of the Group’s remuneration management and putting forward suggestions on the salary distribution plan of the Group’s directors and senior managers and then submitting it to the Board of Directors for deliberation. The Personnel & Remuneration Committee performed the functions both as a Nomination Committee and a Remuneration Committee. Relevant policies are applicable to the staff of its overseas institutions including the Branch (please refer to the Annual Report (H Share) of Bank of Communications Co., Ltd. for details on the Personnel & Remuneration Committee and related information on the meetings held).

“Senior Management” refers to the senior executives who are responsible for oversight of the Branch’s firm-wide strategy or activities or those of the Branch’s material business lines. “Key Personnel” refers to the individual staff whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Branch. To ensure the suitability of the remuneration system, the Branch will seek advice from external consultants if necessary.

(ii) Remuneration policy

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

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

Variable remuneration is discretionary and should be granted subject to the budget which is determined based on the factors including (1) the cost and quantity of capital required to support the risks taken; (2) the cost and quantity of the liquidity risk assumed in the conduct of business; and (3) the timing and likelihood of potential future revenues incorporated into current earnings, together with the Branch’s overall performance assessment by Head Office, the Branch’s profit of the year, asset and liability, future development, etc.

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.

The Branch has established relevant guidelines, stipulating the consequences of staff misconduct (e.g. cases in which a staff / staff’s supervisor is accountable for misconduct that leads to significant losses for the Branch, or cases in which there is fraud or a serious breach of internal rules) on remuneration (including adjustment to the amount of variable remuneration, reduction of unvested variable remuneration or clawback of variable remuneration paid in the past or which has already vested to the staff, etc). Under such circumstances, the application of the variable remuneration adjustment should be proportionate with the misconduct outcome.

VI. Disclosure of remuneration policy (Continued)

(ii) Remuneration policy (Continued)

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 variable remuneration (such as performance bonus) with a vesting period of three years. Generally, the proportion of variable remuneration made subject to deferment would be expected to increase in line with staff seniority, responsibility, risk taken, amount of variable remuneration, etc. Apart from considering the Branch's business performance, if a staff is found to have committed significant operational incidents, non-compliance, identified accountability incidents or other serious incidents, the Branch may recalculate the variable remuneration and / or adjust the deferred variable remuneration of the staff. The Branch has established relevant policies that in case the staff committed the above incidents or events, the Branch should be able to apply clawback of variable remuneration paid in the past or which has already vested to 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.

In 2023, the Branch has reviewed and enhanced the remuneration policy. Major changes included further refining the scope of the specified employee groups, the arrangements on variable remuneration, etc.

VI. Disclosure of remuneration policy (Continued)

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

Remuneration amount and quantitative information ^{Note 1 – 3}		31 Dec 2023	31 Dec 2022
	Number of employees		
	No. of Senior Management:	19	19
	No. of Key Personnel:	13	12
		HK\$'000	HK\$'000
Fixed remuneration	Total fixed remuneration	50,903	47,383
	Of which: cash-based	50,903	47,383
	Of which: deferred	–	–
	Of which: shares or other share-linked instruments	–	–
	Of which: deferred	–	–
	Of which: other forms	–	–
	Of which: deferred	–	–
	Number of employees		
	No. of Senior Management:	19	19
	No. of Key Personnel:	13	12
		HK\$'000	HK\$'000
Variable remuneration	Total variable remuneration	34,103	32,032
	Of which: cash-based	34,103	32,032
	Of which: deferred	12,732	11,285
	Of which: shares or other share-linked instruments	–	–
	Of which: deferred	–	–
	Of which: other forms	–	–
	Of which: deferred	–	–
Total remuneration		85,006	79,415

Note:

1. Given the sensitive nature of related information, aggregate figures instead of separate figures will be disclosed in this part.
2. The remuneration of some Senior Management was paid by Bank of Communications (Hong Kong) Limited and disclosed in its Disclosure of Remuneration Policy.
3. Included staff newly joined or left the Branch during the financial year.

VI. Disclosure of remuneration policy (Continued)

(iii)(b) Special payments

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000	Number of employees	Total amount HK\$'000
As at 31 Dec 2023						
Senior Management & Key Personnel	-	-	-	-	-	-
As at 31 Dec 2022						
Senior Management & Key Personnel	-	-	-	-	-	-

(iii)(c) Deferred remuneration

Deferred and retained remuneration	Total amount of outstanding deferred remuneration HK\$'000	Of which: Total amount of outstanding deferred and retained remuneration exposed to explicit and / or implicit adjustment HK\$'000	Total amount of amendment during the year due to explicit adjustments HK\$'000	Total amount of amendment during the year due to implicit adjustments HK\$'000	Total amount of deferred remuneration paid out in the financial year HK\$'000
As at 31 Dec 2023					
Senior Management & Key Personnel					
Cash	17,957	17,957	-	164	5,674
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	17,957	17,957	-	164	5,674
As at 31 Dec 2022					
Senior Management & Key Personnel					
Cash	13,455	13,455	-	-	7,577
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	13,455	13,455	-	-	7,577

SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)

I. Consolidated balance sheet items and financial ratios

	31 Dec 2023 CNY million	30 Jun 2023 CNY million (Unaudited)
Total loans and advances	7,772,060	7,613,830
Total customer deposits	8,551,215	8,579,598
Total assets	14,060,472	13,813,360
Total liabilities	12,961,022	12,758,461
Shareholders' equity	1,088,030	1,043,083
Capital adequacy ratio	15.27%	14.57%

The capital adequacy ratio above is calculated pursuant to the Administrative Measures for the Capital Management of Commercial Banks (for Trial Implementation) by the Regulatory Authorities.

	31 Dec 2023 (12 months) CNY million	31 Dec 2022 (12 months) CNY million (Restated)
Pre-tax profit	99,698	98,115