



Bank of Communications Co., Ltd. Hong Kong Branch

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# Contents

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	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 - 12
IV. Off-balance sheet exposures	13
V. Liquidity information	14 - 21
VI. Disclosure of remuneration policy	22 - 23
SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)	
I. Consolidated balance sheet items and financial ratios	24

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 2020</b>	31 Dec 2019
	<b>(12 months)</b>	(12 months)
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>9,588,844</b>	14,206,554
Interest expense	<b>(7,926,185)</b>	(10,772,566)
Net interest income	<b>1,662,659</b>	3,433,988
Commission and fees income	<b>1,385,274</b>	1,158,132
Commission and fees expenses	<b>(41,482)</b>	(50,255)
Net commission and fees income	<b>1,343,792</b>	1,107,877
Gains less losses arising from trading in foreign currencies	<b>923,223</b>	554,024
Gains less losses on securities held for trading purposes	<b>71,735</b>	171,100
Gains less losses from other trading activities	<b>286,475</b>	19,665
Others	<b>768,057</b>	456,624
Other operating gains less losses	<b>2,049,490</b>	1,201,413
	<b>5,055,941</b>	5,743,278
Operating expenses		
Staff and rental expenses	<b>(1,078,181)</b>	(1,095,486)
Other operating expenses	<b>(264,031)</b>	(358,415)
(Charge) / write back of impairment allowances for loans and receivables	<b>(176,353)</b>	234,193
Write back / (charge) of other impairment allowances	<b>95,565</b>	(74,540)
Gains less losses from disposal of tangible fixed assets	<b>(7)</b>	(22)
Gains less losses from revaluation of investment properties	<b>(20)</b>	2,429
<b>Profit before taxation</b>	<b>3,632,914</b>	4,451,437
Income tax expense	<b>(481,704)</b>	(711,801)
<b>Profit after taxation</b>	<b>3,151,210</b>	3,739,636

## II. Balance sheet information

	<b>31 Dec 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Cash and balances with banks	<b>25,537,610</b>	28,385,307
Amount due from Exchange Fund repayable or callable within one month	<b>33,078,720</b>	9,152,056
Placements with banks with residual maturity between one and twelve months	<b>42,531,744</b>	70,523,124
Amount due from overseas offices	<b>103,293,763</b>	58,260,386
Trade bills	<b>3,994,149</b>	9,750,109
Certificates of deposit held	<b>31,091,512</b>	41,397,470
Securities held for trading purposes	<b>4,041,556</b>	4,958,995
Loans and receivables	<b>149,731,603</b>	194,109,456
Investment securities	<b>122,079,557</b>	117,168,659
Other investments	<b>539,989</b>	538,744
Property, plant and equipment and investment properties	<b>820,099</b>	820,537
<b>Total assets</b>	<b>516,740,302</b>	535,064,843
<b>Liabilities</b>		
Amount due to Exchange Fund	<b>55,000</b>	25,000
Deposits and balances from banks	<b>46,079,119</b>	23,707,275
Deposits from customers		
– Demand deposits and current accounts	<b>11,922,333</b>	10,378,482
– Saving deposits	<b>41,423,684</b>	38,203,103
– Time, call and notice deposits	<b>240,875,489</b>	294,498,439
Amount due to overseas offices	<b>39,696,077</b>	40,717,449
Certificates of deposit issued	<b>25,086,362</b>	32,727,252
Debt securities issued	<b>64,073,330</b>	49,701,479
Other liabilities	<b>47,400,311</b>	44,997,988
Provisions	<b>128,597</b>	108,376
<b>Total liabilities</b>	<b>516,740,302</b>	535,064,843

### III. Additional balance sheet information

#### (i) Loans and receivables

	<b>31 Dec 2020</b> HK\$'000	30 Jun 2020 HK\$'000
Loans and receivables		
Loans and advances to customers	<b>125,527,156</b>	170,691,893
Loans and advances to banks	–	–
Accrued interest and other accounts	<b>25,074,859</b>	24,227,714
	<b>150,602,015</b>	194,919,607
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>(451,780)</b>	(303,333)
– for loans and advances to banks	–	–
– for accrued interest and other accounts	<b>(4,759)</b>	(6,670)
Stage 3 provision for ECL		
– for loans and advances to customers	<b>(317,647)</b>	(373,998)
– for accrued interest and other accounts	<b>(96,226)</b>	(126,150)
	<b>(870,412)</b>	(810,151)
	<b>149,731,603</b>	194,109,456

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2020 and 30 Jun 2020.

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

	<b>31 Dec 2020</b> HK\$'000	30 Jun 2020 HK\$'000
Gross impaired loans and advances to customers	<b>2,601,000</b>	2,748,040
As percentage of total loans and advances to customers	<b>2.07</b>	1.61
Stage 3 provision for ECL	<b>317,647</b>	373,998

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 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>2,591,437</b>	2,580,140
People's Republic of China	<b>732</b>	154,654
Other countries	<b>8,831</b>	13,246
	<b>2,601,000</b>	2,748,040

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 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
Market value of collateral related to impaired loans and advances to customers	<b>2,378,069</b>	2,536,519

#### (iii) Trade bills

	<b>31 Dec 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
Gross trade bills	<b>4,007,607</b>	9,776,960
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	<b>(4,878)</b>	(15,302)
Stage 3 provision for ECL	<b>(8,580)</b>	(11,549)
	<b>(13,458)</b>	(26,851)
	<b>3,994,149</b>	9,750,109

#### (iv) Investment securities

	<b>31 Dec 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
Gross investment securities	<b>122,079,557</b>	117,168,659
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	–	–
Stage 3 provision for ECL	–	–
	<b>122,079,557</b>	117,168,659

No impairment allowances for investment securities maintained at our head office as at 31 Dec 2020 and 30 Jun 2020.

### 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 2020 HK\$'000	% of secured loans and advances	30 Jun 2020 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	13,675,956	33.01	21,179,537	20.15
– Property investment	3,894,439	49.86	9,751,646	86.63
– Financial concerns	31,131,826	2.95	45,399,788	2.21
– Stockbrokers	1,617,213	31.24	2,153,839	5.20
– Wholesale and retail trade	2,170,037	17.49	2,474,390	29.60
– Manufacturing	5,560,998	3.90	9,120,383	6.63
– Transport and transport equipment	5,337,545	38.84	4,056,613	58.13
– Recreational activities	–	–	775,033	–
– Information technology	28,600	100.00	416,317	6.92
– Others	18,475,688	40.31	22,061,205	36.16
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>81,892,302</b>		117,388,751	
Trade finance	<b>1,768,132</b>	<b>31.39</b>	2,443,591	18.10
Loans and advances for use outside Hong Kong	<b>41,866,722</b>	<b>29.14</b>	50,859,551	22.30
Total	<b>125,527,156</b>	<b>24.52</b>	170,691,893	21.86



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

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

	<b>31 Dec 2020</b>	30 Jun 2020
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>90,186,991</b>	110,612,369
People's Republic of China	<b>23,783,542</b>	46,451,741
Other countries	<b>11,556,623</b>	13,627,783
	<b>125,527,156</b>	170,691,893

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.

<b>Equivalent in millions of HK\$</b>	<b>Bank</b>	<b>Official Sector</b>	<b>Non-bank financial institutions</b>	<b>Non-financial private sector</b>	<b>Total</b>
As at 31 Dec 2020					
Developing Asia-Pacific	<b>161,094</b>	<b>18,560</b>	<b>10,113</b>	<b>12,781</b>	<b>202,548</b>
of which: People's Republic of China	<b>160,982</b>	<b>16,985</b>	<b>10,113</b>	<b>11,931</b>	<b>200,011</b>
Developed countries	<b>7,074</b>	<b>22,884</b>	<b>10,253</b>	<b>2,284</b>	<b>42,495</b>
Offshore centres	<b>39,923</b>	<b>2,117</b>	<b>31,901</b>	<b>34,683</b>	<b>108,624</b>
of which: Hong Kong	<b>39,855</b>	<b>2,117</b>	<b>29,267</b>	<b>34,660</b>	<b>105,899</b>
As at 30 Jun 2020					
Developing Asia-Pacific	187,048	13,132	11,000	27,099	238,279
of which: People's Republic of China	186,839	11,504	11,000	26,034	235,377
Developed countries	14,506	5,365	18,114	2,480	40,465
Offshore centres	16,719	2,134	31,913	53,787	104,553
of which: Hong Kong	16,541	2,134	28,675	53,428	100,778

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

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

	31 Dec 2020 HK\$'000	% of total loans and advances to customers	30 Jun 2020 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	176,470	0.14	1,993,905	1.17
More than 6 months but not more than 1 year	2,375,270	1.89	–	–
More than 1 year	28,800	0.02	359,440	0.21
	<b>2,580,540</b>	<b>2.05</b>	<b>2,353,345</b>	<b>1.38</b>
			<b>31 Dec 2020 HK\$'000</b>	30 Jun 2020 HK\$'000
Market value of collateral held against the secured overdue loans and advances			<b>2,498,651</b>	2,258,102
Secured overdue loans and advances			<b>2,369,238</b>	2,145,812
Unsecured overdue loans and advances			<b>211,302</b>	207,533
Stage 3 provision for ECL			<b>308,444</b>	354,647
Overdue loans and advances to customers by geographical area				
Hong Kong			<b>2,579,808</b>	2,198,691
People's Republic of China			<b>732</b>	154,654
			<b>2,580,540</b>	<b>2,353,345</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.

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

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

	31 Dec 2020 HK\$'000	% of trade bills	30 Jun 2020 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	<b>8,580</b>	<b>0.21</b>	11,549	0.12
	<b>8,580</b>	<b>0.21</b>	11,549	0.12

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2020 and 30 Jun 2020.

	31 Dec 2020 HK\$'000	30 Jun 2020 HK\$'000
Secured overdue assets	–	–
Unsecured overdue assets	<b>8,580</b>	11,549
Stage 3 provision for ECL	<b>8,580</b>	11,549
Overdue assets by geographical area		
United States	<b>347</b>	347
Hong Kong	<b>8,233</b>	11,202
	<b>8,580</b>	11,549

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

	31 Dec 2020 HK\$'000	30 Jun 2020 HK\$'000
Rescheduled loans to customers net of overdue more than 3 months	<b>8,831</b>	13,246
As percentage of total loans and advances to customers	<b>0.01</b>	0.01

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

There are no repossessed assets held as at 31 Dec 2020 and 30 Jun 2020.

### 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 2020			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	76,379,763	8,424,006	84,803,769
2. Local governments, local government-owned entities and their subsidiaries and JVs	4,655,006	2,351,889	7,006,895
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	17,256,272	2,779,091	20,035,363
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	514,118	–	514,118
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
<b>Total</b>	<b>98,805,159</b>	<b>13,554,986</b>	<b>112,360,145</b>
Total assets after provisions	<b>516,611,705</b>		
On-balance sheet exposures as percentage of total assets	<b>19.13%</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 2020			
1. Central government, central government-owned entities and their subsidiaries and JVs	78,645,161	12,232,933	90,878,094
2. Local governments, local government-owned entities and their subsidiaries and JVs	5,813,609	684,564	6,498,173
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	25,848,000	3,399,684	29,247,684
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	500,196	–	500,196
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,359,592	–	4,359,592
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	115,166,558	16,317,181	131,483,739
Total assets after provisions	534,956,467		
On-balance sheet exposures as percentage of total assets	21.53%		

### 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 2020			
Spot assets	<b>32,582</b>	<b>297,650</b>	<b>330,232</b>
Spot liabilities	<b>(45,677)</b>	<b>(251,936)</b>	<b>(297,613)</b>
Forward purchases	<b>118,009</b>	<b>237,200</b>	<b>355,209</b>
Forward sales	<b>(103,716)</b>	<b>(282,235)</b>	<b>(385,951)</b>
Net options position*	<b>(1,544)</b>	<b>1,498</b>	<b>(46)</b>
Net long (short) position	<b>(346)</b>	<b>2,177</b>	<b>1,831</b>
As at 30 Jun 2020			
Spot assets	39,849	308,272	348,121
Spot liabilities	(73,364)	(219,439)	(292,803)
Forward purchases	129,747	187,510	317,257
Forward sales	(93,805)	(271,082)	(364,887)
Net options position*	221	(192)	29
Net long (short) position	2,648	5,069	7,717

\* 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 2020</b> <b>HK\$'000</b> <b>Contract</b> <b>amount</b>	30 Jun 2020 HK\$'000 Contract amount
Direct credit substitutes	<b>8,226,295</b>	9,401,117
Trade related contingencies	<b>6,080,629</b>	3,619,964
Others commitments	<b>72,558,052</b>	67,150,602
Others	<b>2,204,156</b>	775,033
	<b>89,069,132</b>	80,946,716

### (ii) Derivatives

	<b>Contract</b> <b>amount</b> <b>HK\$'000</b>	<b>Fair value</b> <b>Assets</b> <b>HK\$'000</b>	<b>Fair value</b> <b>Liabilities</b> <b>HK\$'000</b>
As at 31 Dec 2020			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	<b>535,621,122</b>	<b>5,553,981</b>	<b>4,673,696</b>
Interest rate contracts	<b>487,848,749</b>	<b>7,265,814</b>	<b>10,790,422</b>
Others	–	–	–
	<b>1,023,469,871</b>	<b>12,819,795</b>	<b>15,464,118</b>
As at 30 Jun 2020			
Exchange rate and gold contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	465,979,166	1,313,074	2,600,721
Interest rate contracts	416,554,295	7,041,784	12,140,552
Others	–	–	–
	882,533,461	8,354,858	14,741,273

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

## V. Liquidity information

	<b>31 Dec 2020</b>	31 Dec 2019*
Average liquidity coverage ratio ("LCR")		
– Fourth quarter	<b>175.84%</b>	166.85%
Average liquidity coverage ratio for the period	<b>176.38%</b>	150.78%
Net stable funding ratio ("NSFR")		
– Third quarter end	<b>127.98%</b>	113.37%
– Fourth quarter end	<b>128.38%</b>	111.70%

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

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

The Branch's average LCR in year 2020 was 176.38%. The Branch's NSFR for the quarter ends of year 2020 were 111.87%, 112.08%, 127.98% and 128.38% respectively.

In the fourth quarter of year 2020, the Branch's LCR decreased as a result of an increase in the quarterly average of unsecured wholesale funding matured within 30 days with cash outflow weight 100%, thus an increase in cash outflow.

In the fourth quarter end of year 2020, the Branch's NSFR increased due to decrease in customer loan during quarter end.

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 sources 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 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 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 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 2020							
Total on-balance sheet assets	<b>262,329</b>	<b>74,925</b>	<b>71,066</b>	<b>86,931</b>	<b>6,709</b>	<b>14,780</b>	<b>516,740</b>
Total on-balance sheet liabilities	<b>221,888</b>	<b>117,374</b>	<b>59,638</b>	<b>74,520</b>	<b>5,473</b>	<b>37,847</b>	<b>516,740</b>
Net amount on liquidity gap	<b>40,441</b>	<b>(42,449)</b>	<b>11,428</b>	<b>12,411</b>	<b>1,236</b>	<b>(23,067)</b>	<b>–</b>
Net amount on liquidity gap of Irrevocable loan commitments	<b>(24,254)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,381</b>	<b>(4,873)</b>
As at 31 Dec 2019							
Total on-balance sheet assets	246,059	58,487	73,022	107,439	5,864	6,019	496,890
Total on-balance sheet liabilities	227,697	113,530	50,658	70,163	5,491	29,351	496,890
Net amount on liquidity gap	18,362	(55,043)	22,364	37,276	373	(23,332)	–
Net amount on liquidity gap of Irrevocable loan commitments	(29,633)	–	–	–	–	19,454	(10,179)

## V. Liquidity information (Continued)

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

2020 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 2020: (73)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
<b>A. HQLA</b>			
1.	Total HQLA		121,044,174
<b>B. Cash Outflows</b>			
2.	Retail deposits and small business funding, of which:	2,087,206	192,701
3.	<i>Stable retail deposits and stable small business funding</i>	132,449	6,622
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,766,816	176,682
4a.	<i>Retail term deposits and small business term funding</i>	187,941	9,397
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	245,226,956	150,261,492
6.	<i>Operational deposits</i>	10,687,269	2,632,251
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	232,669,626	145,759,180
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	1,870,061	1,870,061
9.	Secured funding transactions (including securities swap transactions)		19,993
10.	Additional requirements, of which:	34,245,410	8,263,476
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	10,893,680	4,569,752
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>	23,351,730	3,693,724
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	10,697,865	10,697,865
15.	Other contingent funding obligations (whether contractual or non-contractual)	47,940,956	672,835
16.	<b>Total Cash Outflows</b>		170,108,362
<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	138,477,104	91,928,838
19.	Other cash inflows	7,595,047	7,595,047
20.	<b>Total Cash Inflows</b>	146,072,151	99,523,885
<b>D. Liquidity Coverage Ratio</b>		<b>Adjusted value</b>	
21.	<b>Total HQLA</b>		121,044,174
22.	<b>Total Net Cash Outflows</b>		71,226,618
23.	<b>LCR (%)</b>		175.84%

## V. Liquidity information (Continued)

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

2020 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:	–	2,016,037	33,379	–	1,850,982
5.	<i>Stable deposits</i>	–	130,143	–	–	123,636
6.	<i>Less stable deposits</i>	–	1,885,894	33,379	–	1,727,346
7.	Wholesale funding:	–	354,768,896	13,318,132	10,445,556	143,553,291
8.	<i>Operational deposits</i>	–	10,712,646	–	–	5,356,323
9.	<i>Other wholesale funding</i>	–	344,056,250	13,318,132	10,445,556	138,196,968
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	1,025,630	19,356,213	2,020,375	98,498,408	99,508,596
12.	<i>Net derivative liabilities</i>	–	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,025,630	19,356,213	2,020,375	98,498,408	99,508,596
14.	<b>Total ASF</b>	–	–	–	–	244,912,869
<b>B. Required stable funding ("RSF") item</b>						
15.	Total HQLA for NSFR purposes	–	87,758,715	22,921,635	35,877,085	9,217,631
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	36,285,421	183,979,507	23,914,910	100,867,931	170,651,149
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>	10,931,576	173,263,681	17,424,050	27,274,480	77,942,604

## V. Liquidity information (Continued)

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

2020 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>	25,353,845	6,136,244	4,565,889	43,861,901	64,184,451
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>	–	599	698	14,536	13,004
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>	–	4,578,983	1,924,273	29,717,014	28,511,090
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	23,513,278	840,131	–	–	9,687,391
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>	4,065,146	–	–	–	3,455,374
29.	<i>Net derivative assets</i>	1,250,666	–	–	–	1,250,666
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	14,071,220	–	–	–	703,561
31.	<i>All other assets not included in the above categories</i>	4,126,246	840,131	–	–	4,277,790
32.	<i>Off-balance sheet items</i>	–	39,142	55,454	86,770,380	1,212,696
33.	<b>Total RSF</b>	–	–	–	–	190,768,867
34.	<b>Net Stable Funding Ratio (%)</b>	–	–	–	–	128.38%

## V. Liquidity information (Continued)

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

2020 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:	–	2,119,320	22,678	1,934,398
5.	<i>Stable deposits</i>	–	131,500	501	125,401
6.	<i>Less stable deposits</i>	–	1,987,820	22,177	1,808,997
7.	Wholesale funding:	–	369,946,494	27,838,182	169,758,224
8.	<i>Operational deposits</i>	–	10,541,326	–	5,270,663
9.	<i>Other wholesale funding</i>	–	359,405,168	27,838,182	164,487,561
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	1,190,089	14,682,794	10,303,215	103,117,565
12.	<i>Net derivative liabilities</i>	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	1,190,089	14,682,794	10,303,215	103,117,565
14.	<b>Total ASF</b>	–	–	–	274,810,187
<b>B. Required stable funding ("RSF") item</b>					
15.	Total HQLA for NSFR purposes	–	77,360,996	22,562,315	11,489,325
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	43,673,261	204,797,841	36,907,348	192,557,103
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>	13,421,160	195,587,044	23,418,814	81,674,639

## V. Liquidity information (Continued)

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

2020 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>	30,252,101	8,244,904	8,316,835	49,985,623	76,482,935
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>	–	1,085	1,034	19,461	17,601
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>	–	964,808	5,170,665	36,840,225	34,381,928
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	22,852,503	3,722,713	–	–	9,534,208
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>	4,250,926	–	–	–	3,613,287
29.	<i>Net derivative assets</i>	825,575	–	–	–	825,575
30.	<i>Total derivative liabilities before deduction of variation margin posted</i>	13,409,430	–	–	–	670,472
31.	<i>All other assets not included in the above categories</i>	4,366,572	3,722,713	–	–	4,424,874
32.	<i>Off-balance sheet items</i>	–	35,429	91,520	75,515,749	1,142,307
33.	<b>Total RSF</b>					214,722,943
34.	<b>Net Stable Funding Ratio (%)</b>					127.98%

## 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 2020		31 Dec 2019	
	(No. of Senior Management: 21 No. of Key Personnel: 11) <sup>Note 2</sup>		(No. of Senior Management: 23 No. of Key Personnel: 10) <sup>Note 2</sup>	
	Non-deferred HK\$'000	Deferred HK\$'000	Non-deferred HK\$'000	Deferred HK\$'000
Fixed Remuneration				
– Cash	54,039	–	54,263	–
– Shares and share-linked instruments	–	–	–	–
Variable Remuneration				
– Cash	35,540	9,412	32,060	8,488
– Shares and share-linked instruments	–	–	–	–

### (iii)(b) Deferred remuneration

	31 Dec 2020 HK\$'000	31 Dec 2019 HK\$'000
Vested		
– Cash	7,702	6,445
– Shares and share-linked instruments	–	–
Unvested		
– Cash	12,303	11,254
– Shares and share-linked instruments	–	–
	<b>20,005</b>	<b>17,699</b>
Awarded	9,412	8,488
Paid out	7,702	6,445
Reduced through performance adjustments	–	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	<b>12,303</b>	<b>11,254</b>
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 2019 and 2020.
- 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 2020</b> <b>CNY million</b>	30 Jun 2020 CNY million (Unaudited)
Total loans and advances	<b>5,720,568</b>	5,602,356
Total customer deposits	<b>6,607,330</b>	6,560,867
Total assets	<b>10,697,616</b>	10,669,932
Total liabilities	<b>9,818,988</b>	9,855,800
Shareholders' equity	<b>866,607</b>	802,543
Capital adequacy ratio	<b>15.25%</b>	14.57%

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 2020</b> <b>(12 months)</b> <b>CNY million</b>	31 Dec 2019 (12 months) CNY million
Pre-tax profit	<b>86,425</b>	88,200

**Wang Feng, Chief Executive**  
**Bank of Communications Co., Ltd. Hong Kong Branch**  
1 April 2021