

REGULATORY DISCLOSURE STATEMENT

31 December 2021 (Unaudited)



CREATE SHARED VALUE
創造共同價值



Bank of Communications Co., Ltd. Hong Kong Branch

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

Contents

	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”). 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 2021 (12 months) HK\$'000	31 Dec 2020 (12 months) HK\$'000
Interest income	4,330,645	9,588,844
Interest expense	(2,713,468)	(7,926,185)
Net interest income	1,617,177	1,662,659
Commission and fees income	1,120,545	1,385,274
Commission and fees expenses	(43,087)	(41,482)
Net commission and fees income	1,077,458	1,343,792
Gains less losses arising from trading in foreign currencies	408,186	923,223
Gains less losses on securities held for trading purposes	(60,506)	71,735
Gains less losses from other trading activities	(169,266)	286,475
Others	493,899	768,057
Other operating gains less losses	672,313	2,049,490
	3,366,948	5,055,941
Operating expenses		
Staff and rental expenses	(1,139,629)	(1,078,181)
Other operating expenses	(353,806)	(264,031)
Charge of impairment allowances for loans and receivables	(694,790)	(176,353)
Write back of other impairment allowances	45,018	95,565
Gains less losses from disposal of tangible fixed assets	(27)	(7)
Gains less losses from revaluation of investment properties	(20,033)	(20)
Profit before taxation	1,203,681	3,632,914
Income tax expense	(154,199)	(481,704)
Profit after taxation	1,049,482	3,151,210

II. Balance sheet information

	31 Dec 2021 HK\$'000	30 Jun 2021 HK\$'000
Assets		
Cash and balances with banks	15,002,055	15,630,180
Amount due from Exchange Fund repayable or callable within one month	25,439,503	23,240,373
Placements with banks with residual maturity between one and twelve months	35,317,433	14,680,530
Amount due from overseas offices	101,668,896	83,245,539
Trade bills	6,632,349	9,239,371
Certificates of deposit held	19,121,188	26,754,672
Securities held for trading purposes	4,636,492	4,559,843
Loans and receivables	129,751,086	136,604,478
Investment securities	85,186,574	86,887,172
Other investments	539,550	539,956
Property, plant and equipment and investment properties	786,032	822,594
Total assets	424,081,158	402,204,708
Liabilities		
Amount due to Exchange Fund	40,000	25,000
Deposits and balances from banks	58,725,599	35,542,193
Deposits from customers		
– Demand deposits and current accounts	9,323,195	12,903,303
– Saving deposits	39,803,202	51,507,675
– Time, call and notice deposits	127,694,764	113,806,012
Amount due to overseas offices	67,847,804	71,812,405
Certificates of deposit issued	15,905,350	16,140,314
Debt securities issued	58,128,710	55,558,201
Other liabilities	46,467,922	44,801,946
Provisions	144,612	107,659
Total liabilities	424,081,158	402,204,708

III. Additional balance sheet information

(i) Loans and receivables

	31 Dec 2021 HK\$'000	30 Jun 2021 HK\$'000
Loans and receivables		
Loans and advances to customers	110,096,973	114,827,905
Loans and advances to banks	–	–
Accrued interest and other accounts	21,233,946	22,820,664
	131,330,919	137,648,569
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	(243,401)	(254,797)
– for loans and advances to banks	–	–
– for accrued interest and other accounts	(4,209)	(9,052)
Stage 3 provision for ECL		
– for loans and advances to customers	(1,227,586)	(679,759)
– for accrued interest and other accounts	(104,637)	(100,483)
	(1,579,833)	(1,044,091)
	129,751,086	136,604,478

No impairment allowance for loans and advances and other accounts is maintained at our head office as at 31 Dec 2021 and 30 Jun 2021.

(ii)(a) Impaired loans and advances

	31 Dec 2021 HK\$'000	30 Jun 2021 HK\$'000
Gross impaired loans and advances to customers	2,583,361	2,583,167
As percentage of total loans and advances to customers	2.35	2.25
Stage 3 provision for ECL	1,227,586	679,759

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 2021	30 Jun 2021
	HK\$'000	HK\$'000
Hong Kong	2,582,629	2,582,435
Mainland China	732	732
Other countries	–	–
	2,583,361	2,583,167

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 2021	30 Jun 2021
	HK\$'000	HK\$'000
Market value of collateral related to impaired loans and advances to customers	1,214,835	2,369,238

(iii) Trade bills

	31 Dec 2021	30 Jun 2021
	HK\$'000	HK\$'000
Gross trade bills	6,650,009	9,253,071
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	(9,031)	(5,107)
Stage 3 provision for ECL	(8,629)	(8,593)
	(17,660)	(13,700)
	6,632,349	9,239,371

(iv) Investment securities

	31 Dec 2021	30 Jun 2021
	HK\$'000	HK\$'000
Gross investment securities	85,186,574	86,887,172
Less: Impairment allowances		
Stage 1 and Stage 2 provision for ECL	–	–
Stage 3 provision for ECL	–	–
	85,186,574	86,887,172

No impairment allowances for investment securities are maintained at our head office as at 31 Dec 2021 and 30 Jun 2021.

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 2021 HK\$'000	% of secured loans and advances	30 Jun 2021 HK\$'000	% of secured loans and advances
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
– Property development	8,719,902	20.56	9,410,662	30.06
– Property investment	1,860,301	58.46	1,564,717	79.78
– Financial concerns	33,429,972	–	31,897,403	–
– Stockbrokers	2,189,974	35.16	2,999,390	33.34
– Wholesale and retail trade	2,400,407	13.77	1,832,748	19.03
– Manufacturing	3,716,124	4.71	5,350,394	4.22
– Transport and transport equipment	5,918,225	22.19	5,462,504	51.13
– Recreational activities	–	–	776,484	–
– Information technology	24,800	100.00	26,000	100.00
– Others	12,576,639	4.92	12,723,755	9.77
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	70,836,344		72,044,057	
Trade finance	1,160,996	36.78	1,207,879	42.50
Loans and advances for use outside Hong Kong	38,099,633	24.57	41,575,969	29.12
Total	110,096,973	14.44	114,827,905	19.45

III. Additional balance sheet information (Continued)

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

	31 Dec 2021	30 Jun 2021
	HK\$'000	HK\$'000
Hong Kong	77,644,481	76,700,009
Mainland China	23,675,548	27,756,482
Other countries	8,776,944	10,371,414
	110,096,973	114,827,905

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 2021					
Developing Asia-Pacific	170,526	15,074	9,311	10,119	205,030
of which: Mainland China	170,526	14,390	9,311	9,916	204,143
Developed countries	5,215	11,246	12,214	2,678	31,353
Offshore centres	11,102	3,944	35,360	19,056	69,462
of which: Hong Kong	11,084	3,944	32,498	19,049	66,575
As at 30 Jun 2021					
Developing Asia-Pacific	141,357	16,224	10,600	12,405	180,586
of which: Mainland China	141,338	14,991	10,600	12,277	179,206
Developed countries	5,637	8,721	10,828	2,687	27,873
Offshore centres	13,828	3,200	29,783	32,961	79,772
of which: Hong Kong	13,649	3,200	25,573	32,951	75,373

III. Additional balance sheet information (Continued)

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

	31 Dec 2021 HK\$'000	% of total loans and advances to customers	30 Jun 2021 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	–	–	–	–
More than 6 months but not more than 1 year	–	–	179,396	0.16
More than 1 year	2,583,277	2.35	2,403,688	2.09
	2,583,277	2.35	2,583,084	2.25
			31 Dec 2021 HK\$'000	30 Jun 2021 HK\$'000
Market value of collateral held against the secured overdue loans and advances			1,278,774	2,498,651
Secured overdue loans and advances			1,214,835	2,369,238
Unsecured overdue loans and advances			1,368,442	213,846
Stage 3 provision for ECL			1,227,502	679,675
Overdue loans and advances to customers by geographical area				
Hong Kong			2,582,545	2,582,352
Mainland China			732	732
			2,583,277	2,583,084

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 2021 HK\$'000	% of trade bills	30 Jun 2021 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	8,629	0.13	8,593	0.09
	8,629	0.13	8,593	0.09

There are no debt securities that have been overdue for more than 3 months as at 31 Dec 2021 and 30 Jun 2021.

	31 Dec 2021 HK\$'000	30 Jun 2021 HK\$'000
Secured overdue assets	–	–
Unsecured overdue assets	8,629	8,593
Stage 3 provision for ECL	8,629	8,593
Overdue assets by geographical area		
United States	349	347
Hong Kong	8,280	8,246
	8,629	8,593

(vii)(c) Rescheduled loans

There are no rescheduled loans to customers net of overdue more than 3 months as at 31 Dec 2021 and 30 Jun 2021.

(vii)(d) Repossessed assets

There are no repossessed assets held as at 31 Dec 2021 and 30 Jun 2021.

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 2021			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	60,193,915	7,351,967	67,545,882
2. Local governments, local government-owned entities and their subsidiaries and JVs	4,327,767	1,645	4,329,412
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,206,727	3,626,627	17,833,354
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	679,545	–	679,545
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	79,407,954	10,980,239	90,388,193
Total assets after provisions	423,936,546		
On-balance sheet exposures as percentage of total assets	18.73%		

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 2021			
1. Central government, central government-owned entities and their subsidiaries and JVs	62,937,397	8,199,827	71,137,224
2. Local governments, local government-owned entities and their subsidiaries and JVs	4,842,507	612,581	5,455,088
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	14,760,698	3,055,947	17,816,645
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	820,637	–	820,637
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	83,361,239	11,868,355	95,229,594
Total assets after provisions	402,097,049		
On-balance sheet exposures as percentage of total assets	20.73%		

III. Additional balance sheet information (Continued)

(ix) Foreign currency exposures

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

Equivalent in millions of HK\$	Chinese Renminbi	US Dollars	Total
As at 31 Dec 2021			
Spot assets	33,420	250,167	283,587
Spot liabilities	(55,806)	(226,937)	(282,743)
Forward purchases	110,756	173,162	283,918
Forward sales	(88,430)	(196,086)	(284,516)
Net options position*	1,660	(1,602)	58
Net long (short) position	1,600	(1,296)	304
As at 30 Jun 2021			
Spot assets	38,074	231,898	269,972
Spot liabilities	(28,906)	(203,681)	(232,587)
Forward purchases	87,960	170,255	258,215
Forward sales	(96,501)	(193,324)	(289,825)
Net options position*	(134)	130	(4)
Net long (short) position	493	5,278	5,771

* 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 2021 HK\$'000 Contract amount	30 Jun 2021 HK\$'000 Contract amount
Direct credit substitutes	6,001,747	6,093,127
Trade related contingencies	5,326,415	6,073,009
Others commitments	43,635,029	69,724,628
Others	1,169,511	93,178
	56,132,702	81,983,942

(ii) Derivatives

	Contract amount HK\$'000	Fair value Assets HK\$'000	Fair value Liabilities HK\$'000
As at 31 Dec 2021			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	388,981,206	3,526,052	3,156,526
Interest rate contracts	681,351,643	8,277,511	10,294,993
Others	–	–	–
	1,070,332,849	11,803,563	13,451,519
As at 30 Jun 2021			
Exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	379,078,062	3,068,678	2,744,098
Interest rate contracts	575,710,847	7,390,334	9,783,183
Others	85,104	7	5
	954,874,013	10,459,019	12,527,286

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

V. Liquidity information

	31 Dec 2021	31 Dec 2020*
Average liquidity coverage ratio ("LCR")		
– Fourth quarter	155.95%	175.84%
Average liquidity coverage ratio for the period	163.36%	176.38%
Net stable funding ratio ("NSFR")		
– Third quarter end	114.05%	127.98%
– Fourth quarter end	117.96%	128.38%

* 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 2021 was 163.36%.

In the fourth quarter of year 2021, the Branch's average LCR increased as a result of a decrease in unsecured wholesale funding matured within 30 days, thus a decrease in cash outflow.

In the fourth quarter end of year 2021, the Branch's NSFR increased due to increase in customer deposits and decrease in customer loans during the quarter.

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 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 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. 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 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 Financial 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:

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 2021							
Total on-balance sheet assets	205,176	63,989	63,961	66,684	7,155	17,116	424,081
Total on-balance sheet liabilities	202,300	92,899	34,479	50,429	5,498	38,476	424,081
Net amount on liquidity gap	2,876	(28,910)	29,482	16,255	1,657	(21,360)	-
Net amount on liquidity gap of irrevocable loan commitments	(16,973)	-	-	-	-	19,492	2,519
As at 31 Dec 2020							
Total on-balance sheet assets	262,329	74,925	71,066	86,931	6,709	14,780	516,740
Total on-balance sheet liabilities	221,888	117,374	59,638	74,520	5,473	37,847	516,740
Net amount on liquidity gap	40,441	(42,449)	11,428	12,411	1,236	(23,067)	-
Net amount on liquidity gap of irrevocable loan commitments	(24,254)	-	-	-	-	19,381	(4,873)

V. Liquidity information (Continued)

LIQ1: Liquidity Coverage Ratio – for category 1 institution

2021 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 2021: (73)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
A. HQLA			
1.	Total HQLA		79,725,100
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	2,066,730	192,119
3.	<i>Stable retail deposits and stable small business funding</i>	133,784	6,689
4.	<i>Less stable retail deposits and less stable small business funding</i>	1,775,659	177,566
4a.	<i>Retail term deposits and small business term funding</i>	157,287	7,864
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	155,426,884	97,131,754
6.	<i>Operational deposits</i>	8,185,419	2,008,208
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	146,584,618	94,466,699
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	656,847	656,847
9.	Secured funding transactions (including securities swap transactions)		31
10.	Additional requirements, of which:	21,894,866	5,982,654
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	2,679,274	2,679,274
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>	19,215,592	3,303,380
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	6,015,111	6,015,111
15.	Other contingent funding obligations (whether contractual or non-contractual)	49,375,633	787,678
16.	Total Cash Outflows		110,109,347
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	86,614,061	49,662,128
19.	Other cash inflows	28,300,748	8,826,040
20.	Total Cash Inflows	114,914,809	58,488,168
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		79,725,100
22.	Total Net Cash Outflows		51,621,179
23.	LCR (%)		155.95%

V. Liquidity information (Continued)

LIQ2: Net Stable Funding Ratio – for category 1 institution

2021 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:	–	2,079,424	5,296	–	1,883,030
5.	<i>Stable deposits</i>	–	135,642	–	–	128,860
6.	<i>Less stable deposits</i>	–	1,943,782	5,296	–	1,754,170
7.	Wholesale funding:	–	283,036,162	7,803,367	10,804,218	97,118,799
8.	<i>Operational deposits</i>	–	7,013,749	–	–	3,506,875
9.	<i>Other wholesale funding</i>	–	276,022,413	7,803,367	10,804,218	93,611,924
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	3,011,675	16,707,269	14,349,802	75,248,359	82,423,260
12.	<i>Net derivative liabilities</i>	2,408,169	–	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	603,506	16,707,269	14,349,802	75,248,359	82,423,260
14.	Total ASF	–	–	–	–	181,425,089
B. Required stable funding ("RSF") item						
15.	Total HQLA for NSFR purposes	–	60,746,469	11,827,285	31,578,566	6,768,737
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17.	Performing loans and securities:	34,888,548	163,465,919	27,348,685	72,755,273	138,146,307
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	17,494,673	154,281,681	19,785,380	19,861,792	70,028,282

V. Liquidity information (Continued)

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

2021 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>	17,393,875	6,013,170	4,908,085	30,199,358	45,914,876
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>	–	603	704	13,210	11,882
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	3,170,465	2,654,516	22,680,913	22,191,267
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	18,948,628	1,632,465	–	–	8,035,037
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>	5,358,726	–	–	–	4,554,917
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	10,675,375	–	–	–	533,769
31.	<i>All other assets not included in the above categories</i>	2,914,527	1,632,465	–	–	2,946,351
32.	<i>Off-balance sheet items</i>	–	–	184	54,963,007	848,672
33.	Total RSF	–	–	–	–	153,798,753
34.	Net Stable Funding Ratio (%)	–	–	–	–	117.96%

V. Liquidity information (Continued)

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

2021 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:	–	2,061,720	10,099	1,871,534
5.	<i>Stable deposits</i>	–	137,951	–	131,053
6.	<i>Less stable deposits</i>	–	1,923,769	10,099	1,740,481
7.	Wholesale funding:	–	245,050,883	5,726,409	90,879,907
8.	<i>Operational deposits</i>	–	8,686,990	–	4,343,495
9.	<i>Other wholesale funding</i>	–	236,363,893	5,726,409	86,536,412
10.	Liabilities with matching interdependent assets	–	–	–	–
11.	Other liabilities:	2,087,993	13,626,927	11,121,597	82,766,887
12.	<i>Net derivative liabilities</i>	1,482,296	–	–	–
13.	<i>All other funding and liabilities not included in the above categories</i>	605,697	13,626,927	11,121,597	82,766,887
14.	Total ASF	–	–	–	175,518,328
B. Required stable funding ("RSF") item					
15.	Total HQLA for NSFR purposes	–	44,671,020	15,010,911	7,047,125
16.	Deposits held at other financial institutions for operational purposes	–	–	–	–
17.	Performing loans and securities:	34,468,327	127,972,033	18,511,951	137,883,464
18.	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	–	–	–	–
19.	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	12,998,178	121,564,345	11,535,532	61,908,646

V. Liquidity information (Continued)

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

2021 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>	21,470,149	3,045,395	4,807,599	36,434,161	53,145,161
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>	–	657	606	13,585	12,178
23.	<i>With a risk-weight of less than or equal to 35% under the STC approach</i>	–	–	–	–	–
24.	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	–	3,361,636	2,168,214	23,591,240	22,817,479
25.	<i>Assets with matching interdependent liabilities</i>	–	–	–	–	–
26.	<i>Other assets:</i>	18,600,388	2,673,275	–	–	8,069,693
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>	5,453,193	–	–	–	4,635,214
29.	<i>Net derivative assets</i>	–	–	–	–	–
30.	<i>Total derivative liabilities before adjustments for deduction of variation margin posted</i>	10,264,590	–	–	–	513,230
31.	<i>All other assets not included in the above categories</i>	2,882,605	2,673,275	–	–	2,921,249
32.	<i>Off-balance sheet items</i>	–	11,700	32,123	69,150,786	893,765
33.	Total RSF	–	–	–	–	153,894,047
34.	Net Stable Funding Ratio (%)	–	–	–	–	114.05%

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 and reviewing the basic systems and policies of the Group’s remuneration management; proposing suggestions on the remuneration distribution plan of directors and senior management and submitting them to the Board of Directors for approval. The 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 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 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, corporate values 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

	31 Dec 2021 (No. of Senior Management: 22 No. of Key Personnel: 10) ^{Note 1-2}		31 Dec 2020 (No. of Senior Management: 21 No. of Key Personnel: 11) ^{Note 1-2}	
	Non-deferred HK\$'000	Deferred HK\$'000	Non-deferred HK\$'000	Deferred HK\$'000
Fixed Remuneration				
– Cash	52,667	–	54,039	–
– Shares and share-linked instruments	–	–	–	–
Variable Remuneration				
– Cash	33,328	10,374	35,540	9,412
– Shares and share-linked instruments	–	–	–	–

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 2020 and 2021.
- Included staff newly joined or left the Branch during the financial year.

(iii)(b) Deferred remuneration

	31 Dec 2021 HK\$'000	31 Dec 2020 HK\$'000
Vested		
– Cash	8,875	7,702
– Shares and share-linked instruments	–	–
Unvested		
– Cash	12,299	12,303
– Shares and share-linked instruments	–	–
Total	21,174	20,005
Awarded	10,374	9,412
Paid out	8,875	7,702
Reduced through performance adjustments	–	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	12,299	12,303
Total amount of reductions during the financial year due to:		
– Ex post explicit adjustment	–	–
– Ex post implicit adjustment	–	–

SECTION B – BANK INFORMATION (CONSOLIDATED BASIS)

I. Consolidated balance sheet items and financial ratios

	31 Dec 2021 CNY million	30 Jun 2021 CNY million (Unaudited)
Total loans and advances	6,412,201	6,208,293
Total customer deposits	7,039,777	7,016,652
Total assets	11,665,757	11,413,960
Total liabilities	10,688,521	10,478,045
Shareholders' equity	964,647	923,608
Capital adequacy ratio	15.45%	15.29%

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.

	31 Dec 2021 (12 months) CNY million	31 Dec 2020 (12 months) CNY million
Pre-tax profit	93,959	86,425