交通銀行
BANK OF COMMUNICATIONS

Bank of Communications (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

31 December 2021 (Unaudited)

CREATE SHARED VALUE
創造共同價值

Bank of Communications (Hong Kong) Limited

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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.

Key prudential ratios and overview of risk management and RWA

KM1: Key prudential ratios

		31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	45,706,323	44,969,589	44,151,274	43,657,384	42,446,962
2.	Tier 1	49,577,773	48,841,039	48,022,724	47,528,834	46,318,412
3.	Total capital	61,004,198	60,168,160	51,430,688	51,015,390	49,635,017
	RWA (amount)					
4.	Total RWA	293,766,767	289,763,660	278,297,019	247,309,713	227,729,125
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	15.56%	15.52%	15.86%	17.65%	18.64%
6.	Tier 1 ratio (%)	16.88%	16.86%	17.26%	19.22%	20.34%
7.	Total capital ratio (%)	20.77%	20.76%	18.48%	20.63%	21.80%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8.	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9.	Countercyclical capital buffer requirement (%)	0.752%	0.739%	0.742%	0.723%	0.739%
10.	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11.	Total AI-specific CET1 buffer requirements (%)	3.252%	3.239%	3.242%	3.223%	3.239%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	10.88%	10.86%	10.48%	12.63%	13.80%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	475,334,197	453,625,628	442,604,507	399,649,484	381,168,190
14.	LR (%)	10.43%	10.77%	10.85%	11.89%	12.15%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	75,613,050	68,391,435	66,937,141	62,933,689	64,234,199
16.	Total net cash outflows	53,874,877	43,829,928	45,405,802	41,499,962	39,793,336
17.	LCR (%)	140.86%	158.36%	150.20%	152.82%	163.10%
	Applicable to category 2 institution only:					
17a.	LMR (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18.	Total available stable funding	318,104,250	323,694,055	315,518,626	281,551,164	250,309,664
19.	Total required stable funding	265,239,051	263,854,421	257,146,439	235,474,970	221,302,699
20.	NSFR (%)	119.93%	122.68%	122.70%	119.57%	113.11%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Key prudential ratios and overview of risk management and RWA (Continued)

OVA: Overview of risk management

Overview

Throughout 2021, the Bank has maintained "stable, balanced, compliant and innovative" as the core concept behind its risk appetite. Through excellent risk management, the Bank is guided onto a sustainable growth path and strengthened its market leading position.

During this reporting period, the Bank thoroughly implements a sound strategy and establishes a mature management structure. Under the guidance of the Board of Directors, the Bank pursues balance between returns and risks, thereby achieving a balanced development in scale, quality and efficiency. We adhere to the principle of compliance management, comply with all regulatory requirements, strengthen the maintenance of risk data, increase the technical level of risk measurements, and enhance the overall risk management capabilities. Through the spirit of risk management, we inherited innovative thinking, grasped development opportunities, achieved strategic goals and created greater value.

As the Bank's main business is still dominated by credit business such as lending, billing and stock financing, credit risk is one of key risks encountered by the Bank. The Bank also attaches great importance to the development of treasury business, but market risks such as exchange rate risk, interest rate risk and option risk arise from such market price fluctuations. Beyond credit and market risks, key risks encountered by the Bank also include operational, strategy, liquidity, legal and compliance risk.

Risk Governance

The Bank's risk management governance structure is designed to cover all business processes. It ensures various risks are properly managed and controlled throughout the course of conducting business. The Bank has a robust organisational structure for risk management and a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and ensuring that the Bank has an effective risk management system to implement these strategies. The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Bank's various types of risks, approving high level risk management policies and monitoring their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it considers that any transaction should not proceed.

The Chief Executive is responsible for managing the Bank's various types of risks, and material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer assists the Chief Executive in fulfilling his responsibilities for the day-to-day management of risks. The Chief Risk Officer is responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Bank to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. The Chief Risk Officer is also responsible for reviewing material risk exposures or transactions within his delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board of Directors, Senior Management are also responsible for approving the detailed risk management policies of their responsible areas.

Various units of the Bank have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

Key prudential ratios and overview of risk management and RWA (Continued)

OVA: Overview of risk management (Continued)

Risk Governance (Continued)
As the main operational function in risk management, the Risk Management Department is tasked with identifying, understanding, controlling and reporting of all risks. The Risk Management Department should also provide reliable and comprehensive risk information (such as risk heat map). Other than that, the Risk Management Department is tasked with performing stress tests and reporting the Bank's risk situation under stressed scenarios. Finally, when any event that causes major changes to the Bank's financial and risk situation arises, the Risk Management Department should draw the Board of Director's, Risk Management Committee's and Chief Executive's attention to said event.

Risk information is taken from different risk measurement systems of the Risk Management Department. The information is analysed and presented in management committees. The information is visualized using different business intelligence tools, targeting to provide management with some easy-to-understand risk analytics accompanied with suitable narratives. The committees then report to the Board of Directors with a summary of discussions and recommendations supported by analyses and figures.

Risk Culture
A prudent risk management culture is maintained through making clear risk governance, providing staff trainings, creating proper incentives and setting up various communication channels. The management believes that a strong risk culture would be one of the key attributes stakeholders are looking forward, which will in turn help the Bank sustains in a long run. The promotion of risk culture is aligned with the management incentives through proper performance evaluations. This ensures both the financial and non-financial targets would be achieved simultaneously.

Stress Testing
Stress testing is an important risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible external factors. The Bank uses a comprehensive bank-wide stress testing program to support risk management and capital planning. The Bank's stress testing policy is approved by Risk Management Committee. The stress test results are presented in the same committee. The stress testing program aims to provide management with the performance and capital strength of the Bank under some stress scenarios. It enables them to better understand and mitigate risks. The Bank's resilience to market shocks is thus enhanced. Stress testing tools include sensitivity analysis, hypothetical and historical stress scenarios as well as reverse stress test. Under stress tests, the incremental expected and the unexpected loss would be reflected in a decrease in capital level and an increase in risk weighted assets respectively.

In sensitivity analysis, it is assumed that extreme changes occur to a single risk factor (such as USD exchange rate decreasing by 10% or yield curve shifting up by 200 bps). These stress test scenarios are used to test the sensitivity of the Bank's business to a single factor, thereby evaluating if the Bank's risk is overly concentrated.

Scenario analysis assumes extreme changes to multiple risk factors at the same time. There are two types of scenario analysis, namely historical scenario analysis and hypothetical scenario analysis. Historical scenario analysis assumes historical extreme fluctuations periods (such as the 1997 Asian Financial Crisis) reoccur. Hypothetical situation analysis uses the discretion and professional judgment of test conductors to design potential movement in future extreme fluctuation periods.

Reverse stress testing assumes that stress test results are above the threshold, such as low capital adequacy ratio, low liquidity or losses beyond profit level, identifying risk drivers that can cause such situations and their respective scenario changes. After that, the probability of such events are identified through quantitative analysis and then classified as very low, low, medium or high.

Key prudential ratios and overview of risk management and RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Dec 2021	As at 30 Sep 2021	As at 31 Dec 2021
		HK$'000	HK$'000	HK$'000
1.	Credit risk for non-securitization exposures	271,373,388	268,168,650	21,709,871
2.	Of which STC approach	271,373,388	268,168,650	21,709,871
2a.	Of which BSC approach	–	–	–
3.	Of which foundation IRB approach	–	–	–
4.	Of which supervisory slotting criteria approach	–	–	–
5.	Of which advanced IRB approach	–	–	–
6.	Counterparty default risk and default fund contributions	9,162,528	9,141,822	733,002
7.	Of which SA-CCR approach	5,601,980	5,288,033	448,158
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	3,560,548	3,853,789	284,844
10.	CVA risk	4,264,413	3,811,600	341,153
11.	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12.	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	–
13.	CIS exposures – MBA*	Not applicable	Not applicable	–
14.	CIS exposures – FBA*	Not applicable	Not applicable	–
14a.	CIS exposures – combination of approaches*	Not applicable	Not applicable	–
15.	Settlement risk	–	–	–
16.	Securitization exposures in banking book	–	–	–
17.	Of which SEC-IRBA	–	–	–
18.	Of which SEC-ERBA (including IAA)	–	–	–
19.	Of which SEC-SA	–	–	–
19a.	Of which SEC-FBA	–	–	–
20.	Market risk	863,025	827,738	69,042
21.	Of which STM approach	863,025	827,738	69,042
22.	Of which IMM approach	–	–	–
23.	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	Not applicable	Not applicable	–
24.	Operational risk	8,103,413	7,813,850	648,273
24a.	Sovereign concentration risk	–	–	–
25.	Amounts below the thresholds for deduction (subject to 250% RW)	–	–	–
26.	Capital floor adjustment	–	–	–
26a.	Deduction to RWA	–	–	–
26b.	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c.	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27.	Total	293,766,767	289,763,660	23,501,341

Point to note: Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

Key prudential ratios and overview of risk management and RWA (Continued)

OV1: Overview of RWA (Continued)

During the fourth quarter in 2021, the total RWA increased by HK$4,003 million. The key contributor was the credit risk RWA for non-securitization exposures, which was mainly driven by the growth in exposure due from bank and off-balance sheet exposure.

Linkages between financial statements and regulatory exposures

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets							
Cash and balances with central bank	10,906,604	10,906,604	10,906,604	–	–	–	–
Due from and placements with banks and other financial institutions	10,959,316	10,959,316	10,770,547	–	–	–	188,769
Loans and advances to customers	188,413,081	188,413,081	183,155,568	5,257,513	–	–	–
Financial assets at fair value through profit or loss	3,635,487	3,635,487	1,017,605	2,591,909	–	568,701	25,973
Financial assets at fair value through other comprehensive income	222,979,531	222,979,531	222,858,184	31,003,531	–	–	121,347
Financial assets at amortised cost	16,697,248	16,697,248	16,697,248	–	–	–	–
Property and equipment	76,253	76,253	76,253	–	–	–	–
Right-of-use assets	215,163	215,163	215,163	–	–	–	–
Other assets	3,633,027	3,633,027	3,048,822	136,821	–	–	584,205
Total assets	**457,515,710**	**457,515,710**	**448,745,994**	**38,989,774**	**–**	**568,701**	**920,294**

Linkages between financial statements and regulatory exposures (Continued)

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities							
Due to banks and other financial institutions	51,898,784	51,898,784	–	28,772,576	–	–	23,126,208
Financial liabilities at fair value through profit or loss	1,614,593	1,614,593	–	–	–	958,514	656,079
Due to customers	331,727,134	331,727,134	–	–	–	–	331,727,134
Certificates of deposit issued	3,753,731	3,753,731	–	–	–	–	3,753,731
Current income tax liabilities	185,289	185,289	–	–	–	–	185,289
Debt securities issued	7,796,690	7,796,690	–	–	–	–	7,796,690
Deferred income tax liabilities	301,937	301,937	–	–	–	–	301,937
Lease liabilities	219,127	219,127	–	–	–	–	219,127
Other liabilities	9,458,087	9,458,087	–	15,408	–	–	9,442,679
Total liabilities	**406,955,372**	**406,955,372**	**–**	**28,787,984**	**–**	**958,514**	**377,208,874**

Linkages between financial statements and regulatory exposures (Continued)

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

			Items subject to:			
		Total	credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	456,595,416	448,745,994	–	38,989,774	568,701
2.	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	29,746,498	–	–	28,787,984	958,514
3.	Total net amount under regulatory scope of consolidation	426,848,918	448,745,994	–	10,201,790	(389,813)
4.	Off-balance sheet amounts	27,075,767	5,118,252	–	–	–
5.	Differences due to consideration of provisions	821,730	821,730	–	–	–
6.	Apply SA-CCR approach for measuring the exposure at default of derivatives contracts	8,932,602	–	–	8,932,602	–
7.	Differences due to credit risk mitigation	28,787,984	–	–	28,787,984	–
8.	**Exposure amounts considered for regulatory purposes**	492,467,001	454,685,976	–	47,922,376	(389,813)

LIA: Explanations of differences between accounting and regulatory exposure amounts

The main differences between accounting values and amounts considered for regulatory purpose are as follow:

(i) Off-balance sheet items under regulatory purpose are converted into credit equivalent amount through the use of credit conversion factors (CCFs);

(ii) Carrying amounts reported in financial statements are net of Stage 1, 2 and 3 provisions, whereas exposure amount under regulatory purpose are net of Stage 3 provision only;

(iii) Apply SA-CCR approach for measuring the exposure at default of derivatives contracts;

(iv) Regulatory exposure amounts take into account the recognized collateral received under SFTs.

Disclosure for valuation methodologies and independent price verification, please refer to note 3.4 of Fair value of financial assets and liabilities under Financial Risk Management Section of the 2021 Annual Report.

Linkages between financial statements and regulatory exposures (Continued)

PV1: Prudent valuation adjustments

		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Close-out uncertainty, of which:	–	–	–	–	–	–	–	–
2.	*Mid-market value*	–	–	–	–	–	–	–	–
3.	*Close-out costs*	–	–	–	–	–	–	–	–
4.	*Concentration*	–	–	–	–	–	–	–	–
5.	Early termination	–	–	–	–	–	–	–	–
6.	Model risk	–	–	–	–	–	–	–	–
7.	Operational risks	–	–	–	–	–	–	–	–
8.	Investing and funding costs	–	–	–	–	–	–	–	–
9.	Unearned credit spreads	–	–	–	–	–	–	–	–
10.	Future administrative costs	–	–	–	–	–	–	–	–
11.	Other adjustments	–	–	–	–	–	–	–	–
12.	**Total adjustments**	–	–	–	–	–	–	–	–

Prudent valuation adjustment applies to exotic and / or illiquid financial instruments which require alternative valuation. As the Company does not current possess such financial instruments, no prudent valuation adjustment is necessary.

Composition of regulatory capital

CC1: Composition of regulatory capital

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1.	Directly issued qualifying CET1 capital instruments plus any related share premium	37,900,000	(12)
2.	Retained earnings	6,608,694	(15)
3.	Disclosed reserves	2,180,194	(13)
4.	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5.	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	–
6.	**CET1 capital before regulatory deductions**	46,688,888	–
	CET1 capital: regulatory deductions		
7.	Valuation adjustments	–	–
8.	Goodwill (net of associated deferred tax liabilities)	–	–
9.	Other intangible assets (net of associated deferred tax liabilities)	20,327	(7)-(10)
10.	Deferred tax assets (net of associated deferred tax liabilities)	–	–
11.	Cash flow hedge reserve	–	–
12.	Excess of total EL amount over total eligible provisions under the IRB approach	–	–
13.	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	–
14.	Gains and losses due to changes in own credit risk on fair valued liabilities	29,810	(4)+(9)
15.	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	–
16.	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	–
17.	Reciprocal cross-holdings in CET1 capital instruments	–	–
18.	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	277	–
19.	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
20.	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21.	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
22.	Amount exceeding the 15% threshold	Not applicable	Not applicable
23.	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24.	of which: mortgage servicing rights	Not applicable	Not applicable
25.	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26.	National specific regulatory adjustments applied to CET1 capital	932,151	–
26a.	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	–
26b.	Regulatory reserve for general banking risks	932,151	(16)
26c.	Securitization exposures specified in a notice given by the MA	–	–
26d.	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	–
26e.	Capital shortfall of regulated non-bank subsidiaries	–	–
26f.	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	–
27.	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	–
28.	**Total regulatory deductions to CET1 capital**	982,565	–
29.	**CET1 capital**	45,706,323	–
	AT1 capital: instruments		
30.	Qualifying AT1 capital instruments plus any related share premium	3,871,450	–
31.	of which: classified as equity under applicable accounting standards	3,871,450	(14)
32.	of which: classified as liabilities under applicable accounting standards	–	–
33.	*Capital instruments subject to phase-out arrangements from AT1 capital*	–	–
34.	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	–
35.	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	–	–
36.	**AT1 capital before regulatory deductions**	3,871,450	–
	AT1 capital: regulatory deductions		
37.	Investments in own AT1 capital instruments	–	–
38.	Reciprocal cross-holdings in AT1 capital instruments	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
39.	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–
40.	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–
41.	National specific regulatory adjustments applied to AT1 capital	–	–
42.	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	–
43.	**Total regulatory deductions to AT1 capital**	–	–
44.	**AT1 capital**	3,871,450	–
45.	**Tier 1 capital (T1 = CET1 + AT1)**	49,577,773	–
	Tier 2 capital: instruments and provisions		
46.	Qualifying Tier 2 capital instruments plus any related share premium	9,796,690	(8)
47.	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	–	–
48.	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	–
49.	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	–	–
50.	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,776,778	(11)+(16)-(1)-(2) -(3)-(5)-(6)
51.	**Tier 2 capital before regulatory deductions**	11,573,468	–
	Tier 2 capital: regulatory deductions		
52.	Investments in own Tier 2 capital instruments	–	–
53.	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	–
54.	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	147,043	–
54a.	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
55.	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
55a.	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
56.	National specific regulatory adjustments applied to Tier 2 capital	–	–
56a.	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	–
56b.	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	–	–
57.	**Total regulatory adjustments to Tier 2 capital**	147,043	–
58.	**Tier 2 capital (T2)**	11,426,425	–
59.	**Total regulatory capital (TC = T1 + T2)**	61,004,198	–
60.	**Total RWA**	293,766,767	–
	Capital ratios (as a percentage of RWA)		
61.	**CET1 capital ratio**	15.56%	–
62.	**Tier 1 capital ratio**	16.88%	–
63.	**Total capital ratio**	20.77%	–
64.	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	3.252%	–
65.	of which: capital conservation buffer requirement	2.500%	–
66.	of which: bank specific countercyclical capital buffer requirement	0.752%	–
67.	of which: higher loss absorbency requirement	0.000%	–
68.	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	10.88%	–
	National minima (if different from Basel 3 minimum)		
69.	National CET1 minimum ratio	Not applicable	Not applicable
70.	National Tier 1 minimum ratio	Not applicable	Not applicable
71.	National total capital minimum ratio	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

		Amount HK$'000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
	Amounts below the thresholds for deduction (before risk weighting)		
72.	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	4,570,660	–
73.	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	–
74.	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75.	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,776,778	–
77.	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	3,506,699	–
78.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	–
79.	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	–
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80.	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81.	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82.	*Current cap on AT1 capital instruments subject to phase-out arrangements*	–	–
83.	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	–	–
84.	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	–	–
85.	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	–	–

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template

	Description	Hong Kong basis HK$'000	Basel III basis HK$'000
9.	**Other intangible assets (net of associated deferred tax liabilities)**	20,327	–
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10.	**Deferred tax assets (net of associated deferred tax liabilities)**	–	–
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18.	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	277	–
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

Composition of regulatory capital (Continued)

CC1: Composition of regulatory capital (Continued)

Notes to the Template (Continued)

<table>
<tr><td rowspan="2"></td><td rowspan="2">Description</td><td>Hong Kong basis</td><td>Basel III basis</td></tr>
<tr><td>HK$'000</td><td>HK$'000</td></tr>
<tr><td rowspan="2">19.</td><td>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>–</td><td>–</td></tr>
<tr><td colspan="3">Explanation
For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td rowspan="2">39.</td><td>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td><td>–</td><td>–</td></tr>
<tr><td colspan="3">Explanation
The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td rowspan="2">54.</td><td>Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)</td><td>147,043</td><td>–</td></tr>
<tr><td colspan="3">Explanation
The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.</td></tr>
<tr><td colspan="4">Remarks:
The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.</td></tr>
</table>

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements (as at 31 Dec 2021)	Under regulatory scope of consolidation (as at 31 Dec 2021)	
	HK$'000	HK$'000	Reference
Assets			
Cash and balances with central bank	10,906,604	10,906,604	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(48)*	*(1)*
Due from and placements with banks and other financial institutions	10,959,316	10,959,316	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(291)*	*(2)*
Loans and advances to customers	188,413,081	188,413,081	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(808,308)*	*(3)*
Financial assets at fair value through profit or loss	3,635,487	3,635,487	
of which: debit valuation adjustments in respects of derivative contracts		*17,170*	*(4)*
Financial assets at fair value through other comprehensive income	222,979,531	222,979,531	
Financial assets at amortised cost	16,697,248	16,697,248	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(10,790)*	*(5)*
Property and equipment	76,253	76,253	
Right-of-use assets	215,163	215,163	
Other assets	3,633,027	3,633,027	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*(2,293)*	*(6)*
of which: other intangible assets		*24,344*	*(7)*
Total assets	**457,515,710**	**457,515,710**	

Composition of regulatory capital (Continued)

CC2: Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements (as at 31 Dec 2021)	Under regulatory scope of consolidation (as at 31 Dec 2021)	
	HK$'000	HK$'000	Reference
Liabilities			
Due to banks and other financial institutions	51,898,784	51,898,784	
of which: subordinated loan eligible for inclusion in regulatory capital		*9,796,690*	*(8)*
Financial liabilities at fair value through profit or loss	1,614,593	1,614,593	
of which: debit valuation adjustments in respects of derivative contracts		*12,640*	*(9)*
Due to customers	331,727,134	331,727,134	
Certificates of deposit issued	3,753,731	3,753,731	
Current income tax liabilities	185,289	185,289	
Debt securities issued	7,796,690	7,796,690	
Deferred income tax liabilities	301,937	301,937	
of which: deferred income tax liabilities on other intangible assets		*4,017*	*(10)*
Lease liabilities	219,127	219,127	
Other liabilities	9,458,087	9,458,087	
of which: collective impairment allowances (Stage 1 and 2) reflected in regulatory capital		*22,897*	*(11)*
Total liabilities	**406,955,372**	**406,955,372**	
Equity			
Share capital	37,900,000	37,900,000	*(12)*
Other reserves	2,180,194	2,180,194	*(13)*
Additional equity instrument	3,871,450	3,871,450	*(14)*
Retained earnings	6,608,694	6,608,694	*(15)*
of which: regulatory capital for general banking risk		*932,151*	*(16)*
Total equity	**50,560,338**	**50,560,338**	
Total equity and liabilities	**457,515,710**	**457,515,710**	

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
1.	Issuer	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited	Bank of Communications (Hong Kong) Limited
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	ISIN: XS2085545494	Not applicable	ISIN: XS2357352702
3.	Governing law(s) of the instrument	Hong Kong law	The capital securities are governed by and shall be construed in accordance with English Law, except that the subordination provisions are governed by and shall be construed in accordance with Hong Kong law.	Hong Kong law	The Bonds are governed by, and shall be construed in accordance with, English law, except that the subordination provisions shall be governed by and construed in accordance with the laws of Hong Kong.
	Regulatory treatment				
4.	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
5.	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2
6.	Eligible at solo / group / solo and group	Solo	Solo	Solo	Solo
7.	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Non-cumulative subordinated Additional Tier 1 capital securities	Other Tier 2 instruments	Tier 2 capital
8.	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK$37,900 million	U.S.$500 million	HK$2,000 million	US$1,000 million
9.	Par value of instrument	Not applicable	U.S.$500 million	HK$2,000 million	US$1,000 million
10.	Accounting classification	Shareholders' equity	Equity instruments	Liability – amortised cost	Liability – amortised cost

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
11.	Original date of issuance	1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015 7,600,000,000 shares issued on 19 January 2018 10,000,000,000 shares issued on 28 June 2018 20,000,000,000 shares issued on 21 September 2020	3 March 2020	19 January 2018	8 July 2021
12.	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13.	Original maturity date	No maturity	No maturity	19 January 2028	8 July 2031
14.	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
15.	Optional call date, contingent call dates and redemption amount	Not applicable	First call date: 3 March 2025 (Redemption in whole at 100%)	The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023, at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment. In addition, the Borrower may repay the Loan in whole but not in part at the outstanding principal amount together with interest accrued to (but excluding) the date of repayment for taxation reasons, tax deductions reasons and regulatory reasons. Prepayment is subject to prior written consent of the HKMA.	First call date: 8 July 2026 (Redemption in whole at 100%)
16.	Subsequent call dates, if applicable	No	Any distribution payment date thereafter	The Borrower may repay the Loan in whole but not in part at any time on or after 19 January 2023.	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
	Coupons / dividends				
17.	Fixed or floating dividend / coupon	Not applicable	Fixed	Floating	Fixed
18.	Coupon rate and any related index	Not applicable	Year 1-5: 3.725% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 and every 5 years thereafter at then prevailing 5-year U.S. Treasury yield plus 2.525% per annum.	The rate of interest on the Loan for each interest period shall be the percentage rate per annum which is the aggregate of 1.50 per cent per annum and three-month HIBOR.	Year 1-5: 2.304% per annum payable, semi-annually in arrear; Year 5 onwards: resettable on year 5 at the prevailing 5-year U.S. Treasury yield plus 1.4% per annum.
19.	Existence of a dividend stopper	Not applicable	Yes	No	No
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21.	Existence of step-up or other incentive to redeem	Not applicable	No	No	No
22.	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23.	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24.	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable
25.	If convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable
26.	If convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable
27.	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable
28.	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable
29.	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
30.	Write-down feature	No	Yes	Yes	Yes
31.	If write-down, write-down trigger(s)	Not applicable	Upon Non-Viability Event (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Borrower in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Borrower would become non-viable; and (b) the Monetary Authority notifying the Borrower in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Borrower would become non-viable.	If a Non-Viability Event occurs and is continuing. "Non-Viability Event" means the earlier of: (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable; and (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32.	If write-down, full or partial	Not applicable	Full or partial	Always be written down fully	Full or partial
33.	If write-down, permanent or temporary	Not applicable	Permanent	Permanent	Permanent
34.	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Represents the most subordinated claim in liquidation	Depositors and all other unsubordinated creditors of the Issuer, creditors in respect of Tier 2 capital instruments of the Issuer, and all other holders of subordinated indebtedness of the Issuer whose claims are stated to rank senior to the capital securities or rank senior to the capital securities by operation of law or contract; Senior to claims of holders junior obligations which include ordinary share capital.	In the event of a Winding-Up of the Borrower, the right of the Lender to payment of principal and interest on the Loan, and any other obligations in respect of the Loan, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Borrower (including its depositors), and (b) all other subordinated creditors of the Borrower whose claims are stated to rank senior to the Loan or rank senior to the Loan by operation of law or contract; (ii) pari passu in right of payment to, and all claims of, holders of any instrument or other obligation issued or entered into by the Borrower that constitutes or qualifies as a Tier 2 capital instruments or any instrument or other obligation issued, entered into, or guaranteed by the Borrower that ranks or is expressed to rank pari passu with the Loan by operation of law or contract;	Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation), the rights and claims of the Bondholders in respect of or arising under the Bonds, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all depositors and unsubordinated creditors of the Issuer and (b) all other holders of Subordinated Indebtedness of the Issuer whose claims are stated to rank senior to the Bonds or rank senior to the Bonds by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and

Composition of regulatory capital (Continued)

CCA: Main features of regulatory capital instruments (Continued)

		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan	Tier 2 capital bonds
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned) (Continued)			(iii) senior in right of payment to, and all claims of, (a) shareholders, and holders of any other class of the Borrower's share capital, and any instrument or other obligation issued or guaranteed by the Borrower that ranks or is expressed to rank junior to the Loan by operation of law or contract; and (b) holders of Tier 1 capital instruments of the Borrower. The Loan constitutes unsecured obligations of the Borrower.	(iii) senior in right of payment to, and of all claims of, the holders of Junior Obligation which include all classes of share capital of the Issuer and any Tier 1 Capital Instruments.
36.	Non-compliant transitioned features	No	No	No	No
37.	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable	Not applicable
Full terms and conditions of capital instruments		Ordinary shares	Additional Tier 1 capital securities	Tier 2 capital subordinated loan due 2028	Tier 2 capital bonds due 2031

Macroprudential supervisory measures

CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio (HK$'000)	AI-specific CCyB ratio (%)	CCyB amount (HK$'000)
1.	Hong Kong SAR	1%	167,866,214		
2.	Sum		167,866,214		
3.	Total		223,128,978	0.752%	2,209,126

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ratio, effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB ratio is the ratio of the Bank's aggregate risk-weighted amount for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction (RWAj) to the sum of the Bank's aggregate RWAj across all jurisdictions in which the AI has private sector credit exposure.

Leverage ratio

LR1: Summary comparison of accounting assets against leverage ratio exposure measure

	Item	Value under the LR framework (HK$'000)
1.	Total consolidated assets as per published financial statements	457,515,710
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
2a.	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3.	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a.	Adjustments for eligible cash pooling transactions	–
4.	Adjustments for derivative contracts	9,696,420
5.	Adjustment for SFTs (i.e. repos and similar secured lending)	2,352,730
6.	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	6,596,537
6a.	Adjustment for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(772,254)
7.	Other adjustments	(54,946)
8.	**Leverage ratio exposure measure**	475,334,197

Leverage ratio (Continued)

LR2: Leverage ratio

		31 Dec 2021	30 Sep 2021
		HK$'000	HK$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	421,793,282	410,796,483
2.	Less: Asset amounts deducted in determining Tier 1 capital	(969,925)	(1,063,278)
3.	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	420,823,357	409,733,205
Exposures arising from derivative contracts			
4.	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and / or with bilateral netting)	3,912,467	2,719,589
5.	Add-on amounts for PFE associated with all derivative contracts	8,663,171	8,491,282
6.	Gross-up for collateral provided in respect of derivatives contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7.	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	(287,308)	(57,475)
8.	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9.	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10.	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11.	**Total exposures arising from derivative contracts**	12,288,330	11,153,396
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	34,045,497	26,805,818
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	2,352,730	1,625,345
15.	Agent transaction exposures	–	–
16.	**Total exposures arising from SFTs**	36,398,227	28,431,163
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	27,075,767	19,625,682
18.	Less: Adjustments for conversion to credit equivalent amounts	(20,479,230)	(14,635,882)
19.	**Off-balance sheet items**	6,596,537	4,989,800
Capital and total exposures			
20.	**Tier 1 capital**	49,577,773	48,841,039
20a.	**Total exposures before adjustments for specific and collective provisions**	476,106,451	454,307,564
20b.	**Adjustments for specific and collective provisions**	(772,254)	(681,936)
21.	**Total exposures after adjustments for specific and collective provisions**	475,334,197	453,625,628
Leverage ratio			
22.	**Leverage ratio**	10.43%	10.77%

Liquidity

	31 Dec 2021
Average liquidity coverage ratio ("LCR")	
– Fourth quarter	140.86%
Average LCR for the period	150.67%
Net stable funding ratio ("NSFR")	
– Third quarter end	122.68%
– Fourth quarter end	119.93%

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

The Bank's average LCR in year 2021 was 150.67%.

In the fourth quarter of year 2021, the Bank's average LCR decreased as a result of the increase of customer loans, decrease in secured and unsecured loans maturing within LCR period.

In the fourth quarter end of year 2021, the Bank's NSFR decreased due to increase in customer loans.

Level 1 HQLA is the major component of the Bank's HQLA portfolio, which consists of balance with the HKMA, Exchange Fund Bills / Notes and unencumbered sovereign bonds. The Bank also holds a portion of Level 2 HQLA, which include corporate bonds with high credit rating. The main drivers of net cash outflows were retail deposits and small business funding, wholesale funding and loans during the quarter. Deposit is the major funding source of the Bank.

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

The Bank's HKD HQLA Level 1 LCR was above the regulatory requirement for the period. The Bank 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 Bank has established internal monitoring limit on LCR for foreign major currencies according to Supervisory Policy Manual LM-1 issued by the HKMA.

The Bank 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 Bank's daily liquidity management is governed by the liquidity management requirement of parent bank and there is considerable level of interaction between members of the parent group. The Bank submits liquidity management reports to parent bank regularly and participates in the group liquidity stress test.

Liquidity (Continued)

LIQA: Liquidity risk management

Funding liquidity risk relates to the Bank'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 Bank's capacity to support deposit withdrawal or drawdown on loan commitments. Effective liquidity risk management helps to sustain the expansion of the Bank's business with liquidity cost and risk under control. The Bank 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 ("ALCO") of the Bank 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 Bank's funding sources is customer deposit. The Bank strives to build up core deposits while diversifying funding sources via various funding channels to enhance financing capacity. Regarding liquidity arrangement with parent bank, the Bank performs regular funding transfer with parent bank 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, parent bank has set up groupwide internal limits to control the Bank's reliance on parent bank's funding.

The majority of the liquidity risk of the Bank 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 Bank closely monitors off-balance sheet funding obligations (such as commitments or letters of guarantee) and assesses their impact to our liquidity capacity. Furthermore, the Bank strives to maintain high marketability of the asset portfolio to allow prompt monetization in case of unforeseeable liquidity crunch in the market.

The Bank has in place various limits and indicators for liquidity risk, including liquidity coverage ratio, loan-to-deposit ratio, concentration limits on customer deposits, interbank borrowing utilization ratio, etc. for effective identification and control of liquidity risk. The Bank utilizes relevant management information systems to perform daily liquidity risk management functions. Moreover, the Bank performs daily cash flow analysis to assess liquidity in normal circumstances, and performs regular stress test (at least monthly) to evaluate the Bank'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 Bank'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 Bank has set up early warning indicator system, and movement of relevant indicators is closely monitored on a regular basis. In case of liquidity crisis emerges, the Bank's Crisis Management Committee will be formed to formulate appropriate contingency funding plan to resolve the crisis. The Bank 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 Bank 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.

Quantitative Information relating to the Bank's liquidity risk management, please refer to note 3.3 of Liquidity Risk under Financial Risk Management Section of the 2021 Annual Report.

Liquidity (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	
Basis of disclosure: Hong Kong office		**Unweighted value** (average)	**Weighted value** (average)
A.	**HQLA**		
1.	Total HQLA		98,736,704
B.	**Cash Outflows**		
2.	Retail deposits and small business funding, of which:	235,441,348	18,151,433
3.	*Stable retail deposits and stable small business funding*	7,076,750	353,837
4.	*Less stable retail deposits and less stable small business funding*	127,587,304	12,758,731
4a.	*Retail term deposits and small business term funding*	100,777,294	5,038,865
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	73,269,361	35,673,423
6.	*Operational deposits*	2,728,434	654,614
7.	*Unsecured wholesale funding (other than small business funding) not covered in row 6*	70,521,130	34,999,012
8.	*Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period*	19,797	19,797
9.	Secured funding transactions (including securities swap transactions)		4,474,535
10.	Additional requirements, of which:	44,185,867	8,228,950
11.	*Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements*	27,321,094	6,910,547
12.	*Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions*	–	–
13.	*Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)*	16,864,773	1,318,403
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,944,545	2,944,545
15.	Other contingent funding obligations (whether contractual or non-contractual)	6,710,876	14,583
16.	**Total Cash Outflows**		69,487,469
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	28,780,197	8,513,358
19.	Other cash inflows	7,099,234	7,099,234
20.	**Total Cash Inflows**	35,879,431	15,612,592
D.	**Liquidity Coverage Ratio**		**Adjusted value**
21.	**Total HQLA**		75,613,050
22.	**Total Net Cash Outflows**		53,874,877
23.	**LCR (%)**		140.86%

Liquidity (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**
		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**
A.	**Available stable funding ("ASF") item**					
1.	Capital:	51,404,965	93,014	–	9,796,690	61,201,655
2.	*Regulatory capital*	51,404,965	93,014	–	9,796,690	61,201,655
2a.	*Minority interests not covered by row 2*	–	–	–	–	–
3.	*Other capital instruments*	–	–	–	–	–
4.	Retail deposits and small business funding:	–	226,000,566	3,863,699	15,173	207,293,227
5.	*Stable deposits*		7,913,232	91,067	564	7,604,648
6.	*Less stable deposits*		218,087,334	3,772,632	14,609	199,688,579
7.	Wholesale funding:	–	151,281,403	2,540,120	–	49,609,368
8.	*Operational deposits*		2,629,976	–	–	1,314,988
9.	*Other wholesale funding*	–	148,651,427	2,540,120	–	48,294,380
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	2,283,575	9,856,032	–	–	–
12.	*Net derivative liabilities*	–				
13.	*All other funding and liabilities not included in the above categories*	2,283,575	9,856,032	–	–	–
14.	**Total ASF**					318,104,250
B.	**Required stable funding ("RSF") item**					
15.	Total HQLA for NSFR purposes	1,104,512	32,067,621	9,476,935	99,370,905	37,045,696
16.	Deposits held at other financial institutions for operational purposes	–	411,974	–	–	205,987
17.	Performing loans and securities:	18,153,786	68,649,397	35,367,504	187,831,896	224,734,227
18.	*Performing loans to financial institutions secured by Level 1 HQLA*	–	401,874	–	–	–
19.	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	1,078,142	42,672,728	4,359,765	4,312,710	33,114,542

Liquidity (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
		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.	*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:*	17,075,644	9,794,265	24,440,849	93,629,378	110,536,372
21.	*With a risk-weight of less than or equal to 35% under the STC approach*	1,629,173	250,595	243,547	1,773,099	2,458,548
22.	*Performing residential mortgages, of which:*	–	733,566	715,736	32,483,668	21,839,035
23.	*With a risk-weight of less than or equal to 35% under the STC approach*	–	733,566	715,736	32,483,668	21,839,035
24.	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	–	15,046,964	5,851,154	57,406,140	59,244,278
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	4,013,892	848,299	–	–	2,403,736
27.	*Physical traded commodities, including gold*	–				–
28.	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	77,967				66,272
29.	*Net derivative assets*	648,359				648,359
30.	*Total derivative liabilities before adjustments for deduction of variation margin posted*	1,834,522				91,726
31.	*All other assets not included in the above categories*	1,453,044	848,299	–	–	1,597,379
32.	Off-balance sheet items		534	409	27,074,824	849,405
33.	**Total RSF**					265,239,051
34.	**Net Stable Funding Ratio (%)**					119.93%

Liquidity (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
		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**
A.	**Available stable funding ("ASF") item**					
1.	Capital:	50,685,793	48,069	–	9,787,926	60,473,719
2.	*Regulatory capital*	50,685,793	48,069	–	9,787,926	60,473,719
2a.	*Minority interests not covered by row 2*	–	–	–	–	–
3.	*Other capital instruments*	–	–	–	–	–
4.	Retail deposits and small business funding:	–	230,997,320	5,005,653	33,388	212,820,149
5.	*Stable deposits*		7,572,680	109,028	2,391	7,300,014
6.	*Less stable deposits*		223,424,640	4,896,625	30,997	205,520,135
7.	Wholesale funding:	–	133,263,751	2,445,958	–	48,717,455
8.	*Operational deposits*		2,475,285	–	–	1,237,643
9.	*Other wholesale funding*	–	130,788,466	2,445,958	–	47,479,812
10.	Liabilities with matching interdependent assets	–	–	–	–	–
11.	Other liabilities:	1,464,860	2,517,425	3,365,464	–	1,682,732
12.	*Net derivative liabilities*	–				
13.	*All other funding and liabilities not included in the above categories*	1,464,860	2,517,425	3,365,464	–	1,682,732
14.	**Total ASF**					323,694,055
B.	**Required stable funding ("RSF") item**					
15.	Total HQLA for NSFR purposes	1,251,633	20,503,573	8,843,464	103,129,385	36,969,884
16.	Deposits held at other financial institutions for operational purposes	–	411,984	–	–	205,992
17.	Performing loans and securities:	18,718,136	45,346,463	36,939,005	199,021,676	224,125,444
18.	*Performing loans to financial institutions secured by Level 1 HQLA*	–	552,000	–	–	–
19.	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	756,276	24,541,413	2,243,596	4,109,170	22,416,844

Liquidity (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.	*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:*	17,961,860	9,376,759	27,012,810	95,936,693	114,469,486
21.	*With a risk-weight of less than or equal to 35% under the STC approach*	1,143,765	220,925	213,638	1,551,577	1,969,254
22.	*Performing residential mortgages, of which:*	–	723,571	689,748	30,848,859	20,758,418
23.	*With a risk-weight of less than or equal to 35% under the STC approach*	–	723,571	689,748	30,848,859	20,758,418
24.	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	–	10,152,720	6,992,851	68,126,954	66,480,696
25.	Assets with matching interdependent liabilities	–	–	–	–	–
26.	Other assets:	3,343,235	1,035,365	–	–	1,867,849
27.	*Physical traded commodities, including gold*	–				–
28.	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	–				–
29.	*Net derivative assets*	7,372				7,372
30.	*Total derivative liabilities before adjustments for deduction of variation margin posted*	1,720,911				86,046
31.	*All other assets not included in the above categories*	1,614,952	1,035,365	–	–	1,774,431
32.	Off-balance sheet items		5,155,724	12,790	14,457,168	685,252
33.	**Total RSF**					263,854,421
34.	**Net Stable Funding Ratio (%)**					122.68%

Credit risk for non-securitization exposures

CRA: General information about credit risk

Credit Risk
Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. It arises principally from lending, trade finance and treasury businesses. As a local retail bank, according to business model, customer base and market environment derived from the operation risks, has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

Credit Risk Governance
The Bank's organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits. The Chief Credit Officer, who reports directly to the Risk Committee, takes charge of credit risk management and is also responsible for the control of credit risk exposures in line with the credit risk management principles and requirements set by the Bank. Various units of the Bank have their respective credit risk management responsibilities. Business units act as the first line of defense. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures.

The Board of Directors delegates credit approval authority to the Chief Executive. The Chief Executive can further delegate to the subordinates within his limit authorized by the Board of Directors. The Bank sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure. In view of the rapidly changing market conditions, the Bank has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios. Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of Chief Executives or above. For retail exposures, more comprehensive review is required and monitored regularly on a portfolio basis.

Risk Management Department provides regular credit management information reports and ad hoc reports to the Management, Risk Committee and Board of Directors to facilitate their continuous monitoring of credit risk. In addition, the Bank identifies credit concentration risk by industry, geography, customer and counterparty. The Bank monitors changes to counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Bank's Management.

Credit risk for non-securitization exposures (Continued)

CR1: Credit quality of exposures

		Gross carrying amounts of			Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	
		Defaulted exposures	Non-defaulted exposures	Allowances / impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		Net values
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Loans	172,633	209,887,218	885,362	76,715	808,647	–	209,174,489
2.	Debt securities	–	240,722,278	10,790	–	10,790	–	240,711,488
3.	Off-balance sheet exposures	–	12,292,914	17,319	–	17,319	–	12,275,595
4.	***Total***	172,633	462,902,410	913,471	76,715	836,756	–	462,161,572

CR2: Changes in defaulted loans and debt securities

		Amount
		HK$'000
1.	**Defaulted loans and debt securities at 30 Jun 2021**	124,965
2.	Loans and debt securities that have defaulted since the last reporting period	80,544
3.	Returned to non-defaulted status	(3,118)
4.	Amounts written off	(4,511)
5.	Other changes	(25,247)
6.	**Defaulted loans and debt securities at 31 Dec 2021**	172,633

Between Jun 2021 and Dec 2021, the Bank's defaulted loans and debt securities increased from HK$125 million by 38% to HK$173 million. The main contributor was the loans and debt securities of HK$81 million defaulted during the reporting period.

Credit risk for non-securitization exposures (Continued)

CRB: Additional disclosure related to credit quality of exposures

Definition of Overdue
Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

Definition Impairment Loss on Advances and Calculations
Advances are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the advances that can be reliably estimated. If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable information that comes to the attention of the Bank about the loss events.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty incurred by the borrower;
- A breach of contract, such as a default or delinquency in principal or interest payment;
- For economic or legal reasons related to the borrower's financial difficulty, the Bank has granted to the borrower a concession that it would not otherwise consider;
- Probable that the borrower will become bankrupt or undergo other financial reorganization; or
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

Definition of Rescheduled Advances
Rescheduled advances are those advances that have been restructured or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

Credit risk for non-securitization exposures (Continued)

CRB: Additional disclosure related to credit quality of exposures (Continued)

i) Credit quality of exposures by geographical areas

	31 Dec 2021 HK$'000
Hong Kong	253,796,863
People's Republic of China	124,071,224
Others	85,206,956
Total	463,075,043

ii) Credit quality of exposures by industry

	31 Dec 2021 HK$'000
Property development and investment	63,058,620
Financial concerns	173,218,342
Individuals	52,059,841
Others	174,738,240
Total	463,075,043

iii) Credit quality of exposures by residual maturity

	31 Dec 2021 HK$'000
Less than 1 year	130,886,184
More than 1 year but not more than 5 years	223,431,336
More than 5 years	108,757,523
Total	463,075,043

Credit risk for non-securitization exposures (Continued)

CRB: Additional disclosure related to credit quality of exposures (Continued)

iv) Impaired exposures and related allowances and write-offs by geographical areas

	Impaired exposures HK$'000	Stage 3 provision for ECL HK$'000	Write-off HK$'000
As at 31 Dec 2021			
Hong Kong	184,928	70,578	7,335
People's Republic of China	17,041	6,137	–
Other countries	–	–	–
Total	201,969	76,715	7,335

v) Impaired exposures and related allowances and write-offs by industry

	Impaired exposures HK$'000	Stage 3 provision for ECL HK$'000	Write-off HK$'000
As at 31 Dec 2021			
Property development and investment	13,890	–	–
Financial concerns	–	–	–
Individuals	72,087	22,863	7,160
Others	115,992	53,852	175
Total	201,969	76,715	7,335

vi) Aging analysis of accounting past due exposures

Please refer to note 4 of additional balance sheet information.

vii) Breakdown of rescheduled exposures

	31 Dec 2021 HK$'000
Impaired	1,085
Not impaired	1,902
Total	2,987

Credit risk for non-securitization exposures (Continued)

CRC: Qualitative disclosures related to credit risk mitigation

Collateral and Other Enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. In the personal sector, the main types of collateral are real estate properties, cash deposits and securities. In the commercial and industrial sector, the main types of collateral are real estate properties, securities, receivables, cash deposits and machinery. For loans guaranteed by a third party, the Bank will assess the guarantor's financial condition, credit history and ability to meet obligations. Balances and placements with banks and other financial institutions, these exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Credit Exposures

The maximum credit exposure is the worst case scenario of exposure to the Bank without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Bank could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

CR3: Overview of recognized credit risk mitigation

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Loans	199,391,028	9,783,461	1,451,559	8,331,902	–
2.	Debt securities	238,477,785	2,233,703	–	2,233,703	–
3.	**Total**	437,868,813	12,017,164	1,451,559	10,565,605	–
4.	Of which defaulted	72,875	27,338	27,338	–	–

As of Dec 2021, the Bank's carrying amount for unsecured exposures was HK$437,869 million, an increase of HK$23,735 million compared with Jun 2021. This was mainly due to the growth of unsecured debt of HK$23,376 million.

Credit risk for non-securitization exposures (Continued)

CRD: Qualitative disclosures on use of ECAI ratings under STC approach

The Bank uses the following external credit assessment institutions ("ECAIs") to calculate its capital adequacy requirements under the standardized (credit risk) approach prescribed in the Capital Rules:

- Moody's Investors Service
- S&P's Ratings Services
- Fitch Ratings

Where exposures have been rated by the above-mentioned ECAIs, they are categorized under the following class of exposures:

- Sovereign exposures
- Public sector entity exposures
- Bank exposures
- Corporate exposures

The process used to map ECAIs issuer ratings or ECAIs issue specific ratings in the Bank's banking book is consistent with those prescribed in the Capital Rules.

Credit risk for non-securitization exposures (Continued)

CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach

		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Exposure classes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	%
1.	Sovereign exposures	47,513,572	–	50,380,649	–	3,063,709	6%
2.	PSE exposures	7,020,311	–	7,284,332	189,692	1,532,364	21%
2a.	Of which: domestic PSEs	6,895,116	–	7,159,137	189,692	1,469,766	20%
2b.	Of which: foreign PSEs	125,195	–	125,195	–	62,598	50%
3.	Multilateral development bank exposures	254,390	–	254,390	–	–	0%
4.	Bank exposures	106,573,749	–	108,615,263	3,624	42,282,508	39%
5.	Securities firm exposures	214,826	–	1,652,778	–	826,389	50%
6.	Corporate exposures	224,893,924	17,473,277	219,241,641	3,380,661	187,692,168	84%
7.	CIS exposures	–	–	–	–	–	0%
8.	Cash items	1,104,512	–	2,519,265	230,310	169,481	6%
9.	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	0%
10.	Regulatory retail exposures	13,494,785	7,624,980	12,357,054	809,397	9,874,839	75%
11.	Residential mortgage loans	33,932,970	379,384	33,651,300	–	11,777,955	35%
12.	Other exposures which are not past due exposures	14,460,282	1,598,126	13,506,649	504,568	14,011,217	100%
13.	Past due exposures	104,403	–	104,403	–	142,758	137%
14.	Significant exposures to commercial entities	–	–	–	–	–	0%
15.	**Total**	449,567,724	27,075,767	449,567,724	5,118,252	271,373,388	60%

Compared with Jun 2021, the bank's credit risk RWA in Dec 2021 had an increase from HK$260,357 million to HK$271,373 million. The increase was mainly attributed to higher exposures to corporates, enlarging the corresponding RWA by 9%.

Credit risk for non-securitization exposures (Continued)

CR5: Credit risk exposures by asset classes and by risk weights – for STC approach

	Exposure classes \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Sovereign exposures	36,492,081	–	12,935,251	–	953,317	–	–	–	–	–	50,380,649
2.	PSE exposures	–	–	7,348,829	–	125,195	–	–	–	–	–	7,474,024
2a.	Of which: domestic PSEs	–	–	7,348,829	–	–	–	–	–	–	–	7,348,829
2b.	Of which: foreign PSEs	–	–	–	–	125,195	–	–	–	–	–	125,195
3.	Multilateral development bank exposures	254,390	–	–	–	–	–	–	–	–	–	254,390
4.	Bank exposures	–	–	41,548,279	–	66,195,512	–	875,096	–	–	–	108,618,887
5.	Securities firm exposures	–	–	–	–	1,652,778	–	–	–	–	–	1,652,778
6.	Corporate exposures	–	–	77,967	–	70,073,048	–	152,133,760	337,527	–	–	222,622,302
7.	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8.	Cash items	1,902,171	–	847,404	–	–	–	–	–	–	–	2,749,575
9.	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–	–	–	–	–	–
10.	Regulatory retail exposures	–	–	–	–	–	13,166,451	–	–	–	–	13,166,451
11.	Residential mortgage loans	–	–	–	33,651,300	–	–	–	–	–	–	33,651,300
12.	Other exposures which are not past due exposures	–	–	–	–	–	–	14,011,217	–	–	–	14,011,217
13.	Past due exposures	–	–	–	–	–	–	27,693	76,710	–	–	104,403
14.	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
15.	**Total**	38,648,642	–	62,757,730	33,651,300	138,999,850	13,166,451	167,047,766	414,237	–	–	454,685,976

Compared with Jun 2021, the Bank's post-CCF and post-CRM on balance exposure increased by 6% to HK$454,686 million. This was mainly attributed to the increase in sovereign exposures, as well as corporate exposures, with a growth of 42% and 10% respectively.

Counterparty credit risk

CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Bank's organisation structure establishes a clear set of counterparty risk management framework, authority and responsibility for monitoring compliance with policies, procedures and limits that are in line with the credit risk management principles and requirements set by the Bank. Various units of the Bank have their respective credit risk management responsibilities. Business units act as the first line of defence. The Risk Management Department, which is independent from the business units, is responsible for the day-to-day management of credit risks and has the primary responsibility for providing an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. For investments in debt securities, assessment of the underlying assets and credit limits setting on customer / security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Bank sets customer limits to manage the credit risk involved and follows the same approval. For financial assets at fair value through profit or loss and investment in securities collateral is generally not sought on debt securities. For derivative financial instruments, the Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Bank. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Counterparty credit risk (Continued)

CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
		HK$'000	HK$'000	HK$'000		HK$'000	HK$'000
1.	SA-CCR approach (for derivative contracts)	2,585,122	5,646,671		1.4	11,524,511	5,601,980
1a.	CEM (for derivative contracts)	–	–		–	–	–
2.	IMM(CCR) approach			–	–	–	–
3.	Simple approach (for SFTs)					36,397,865	3,560,548
4.	Comprehensive approach (for SFTs)					–	–
5.	VaR (for SFTs)					–	–
6.	**Total**						9,162,528

There was a 50% increase counterparty credit risk RWA on default risk exposures compared to Jun 2021. The main contributor is originated from the increase in default risk exposure of SFTs, an 30% increase from HK$28,008 million to HK$36,398 million.

CCR2: CVA capital charge

		EAD post CRM	RWA
		HK$'000	HK$'000
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	–	–
1.	(i) VaR (after application of multiplication factor if applicable)		–
2.	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3.	Netting sets for which CVA capital charge is calculated by the standardized CVA method	11,524,511	4,264,413
4.	Total	11,524,511	4,264,413

There is a 30% increase CVA RWA for counterparty credit risk. The main contributor is originated from an increase in exposure and tenor for derivatives, such as interest rate swap.

Counterparty credit risk (Continued)

CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach

	Exposure classes \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Sovereign exposures	1,874	–	–	–	–	–	–	–	–	–	1,874
2.	PSE exposures	–	–	–	–	–	–	–	–	–	–	–
2a.	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	–
2b.	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	–
3.	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	–
4.	Bank exposures	–	–	2,432,258	–	15,711,507	–	–	–	–	–	18,143,765
5.	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	–
6.	Corporate exposures	–	–	–	–	–	–	132,908	–	–	–	132,908
7.	CIS exposures	–	–	–	–	–	–	–	–	–	–	–
8.	Regulatory retail exposures	–	–	–	–	–	646,326	–	–	–	–	646,326
9.	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	–
10.	Other exposures which are not past due exposures	–	–	–	–	–	–	200,867	–	–	–	200,867
11.	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	–
12.	**Total**	1,874	–	2,432,258	–	15,711,507	646,326	333,775	–	–	–	19,125,740

The main component of the 60% increment in the total counterparty default risk exposure was bank exposures, increasing 67% from HK$10,845 million to HK$18,144 million.

Counterparty credit risk (Continued)

CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash – domestic currency	–	–	–	–	400,000	–
Cash – other currencies	–	77,811	77,967	287,308	28,387,984	–
Domestic sovereign debt	–	–	–	–	–	401,874
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	30,738,479
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	–	77,811	77,967	287,308	28,787,984	31,140,353

The collateral posted and received resulted from increasing transaction with counterparties via CSA and repo transaction.

CCR6: Credit-related derivatives contracts

	Protection bought	Protection sold
	HK$'000	HK$'000
Notional amounts		
Single-name credit default swaps	–	–
Index credit default swaps	–	–
Total return swaps	–	–
Credit-related options	–	–
Other credit-related derivative contracts	–	–
Total notional amounts	–	–
Fair values		
Positive fair value (asset)	–	–
Negative fair value (liability)	–	–

Counterparty credit risk (Continued)

CCR8: Exposures to CCPs

		Exposure after CRM	RWA
		HK$'000	HK$'000
1.	**Exposures of the AI as clearing member or clearing client to qualifying CCPs (total)**		–
2.	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	–	–
3.	(i) OTC derivative transactions	–	–
4.	(ii) Exchange-traded derivative contracts	–	–
5.	(iii) Securities financing transactions	–	–
6.	(iv) Netting sets subject to valid cross-product netting agreements	–	–
7.	Segregated initial margin	77,967	
8.	Unsegregated initial margin	–	–
9.	Funded default fund contributions	–	–
10.	Unfunded default fund contributions	–	–
11.	**Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)**		–
12.	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	–	–
13.	(i) OTC derivative transactions	–	–
14.	(ii) Exchange-traded derivative contracts	–	–
15.	(iii) Securities financing transactions	–	–
16.	(iv) Netting sets subject to valid cross-product netting agreements	–	–
17.	Segregated initial margin	–	
18.	Unsegregated initial margin	–	–
19.	Funded default fund contributions	–	–
20.	Unfunded default fund contributions	–	–

Record belongs to CCP initial margin.

Securitization exposures

SECA: Qualitative disclosures related to securitization exposures

There were no securitisation exposures as at 31 Dec 2021.

Securitization exposures (Continued)

SEC1: Securitization exposures in banking book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC2: Securitization exposures in trading book

		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1.	Retail (total) – of which:	–	–	–	–	–	–	–	–	–
2.	residential mortgage	–	–	–	–	–	–	–	–	–
3.	credit card	–	–	–	–	–	–	–	–	–
4.	other retail exposures	–	–	–	–	–	–	–	–	–
5.	re-securitization exposures	–	–	–	–	–	–	–	–	–
6.	Wholesale (total) – of which:	–	–	–	–	–	–	–	–	–
7.	loans to corporates	–	–	–	–	–	–	–	–	–
8.	commercial mortgage	–	–	–	–	–	–	–	–	–
9.	lease and receivables	–	–	–	–	–	–	–	–	–
10.	other wholesale	–	–	–	–	–	–	–	–	–
11.	re-securitization exposures	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK$'000					HK$'000				HK$'000				HK$'000			
1.	**Total exposures**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.	Traditional securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9.	Synthetic securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Securitization exposures (Continued)

SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	SEC-FBA
		HK$'000					HK$'000				HK$'000				HK$'000			
1.	**Total exposures**	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2.	Traditional securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9.	Synthetic securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10.	Of which securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11.	Of which retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12.	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13.	Of which re-securitization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14.	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15.	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Market risk

MRA: Qualitative disclosures related to market risk

Market Risk
The Bank sets indicators and limits to identify, measure, monitor and control market risks. To hold market risk positions, any department must obtain market risk limits approval in advance.

Under guidance from the Board of Directors, the Bank has established and authorized the Risk Management Committee to manage market risks. The Board of Directors is responsible for approving market risk management regulations, and, in accordance with market risk management regulations, reviewing the Bank's market risk tolerance levels and limits, and monitoring management of market risks. The Risk Management Committee promptly reports to the Board of Directors about the current or potential major changes in any market risk affecting the Bank's financial position.

Market Risk Governance
Market risk management of the Bank is led by the Board of Directors and the Risk Management Committee. Their main task is to set a high level market risk limit, including value at risk (VaR), net open position, basis point value and the market risk management policy. They are also tasked with assigning the Comprehensive Risk Management Committee and the Risk Management Department to determine the suitability of market risk exposure and to further breakdown the risk limit for market risk bearing departments respectively.

Other than determining the suitability of market risk exposure, the Comprehensive Risk Management Committee is also in charge of checking the market risk regulations and regularly overseeing both the day to day and long term market risk management of the Bank.

As a function independent of business and operational areas, the Risk Management Department is in charge of breaking down the risk limit for market risk bearing departments, overseeing market risk management regularly, and responding and reporting to related business units, Chief Executive and the Board of Directors, when either market risk indicators are breached or market risk events occurred. Finally, Risk Management Department also needs to review and draft changes to the market risk management policy annually for the Comprehensive Risk Management Committee, Risk Management Committee and Board of Directors to approve.

Global Markets Department is currently the only department authorized with market risk limit, they should control market risk to be within a suitable range. Each financial trade should also be clearly classified into the trading book, investment book or banking book. Any reclassification of financial instruments would require the permission from Risk Management Department and Financial Management Department.

Internal Audit Department is in charge of regularly reviewing the Bank's market risk management procedures and policies to ensure the Bank's procedures and policies are reasonable, accurate and remain stable.

Value at Risk
Value at risk (VaR) refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Bank adopted the historical simulation method to calculate daily VaR (250 days historical market data, 99% confidence interval, the holding period of 1 day).

Market risk (Continued)

MR1: Market risk under STM approach

		RWA
		HK$'000
	Outright product exposures	
1.	Interest rate exposures (general and specific risk)	686,637
2.	Equity exposures (general and specific risk)	–
3.	Foreign exchange (including gold) exposures	170,263
4.	Commodity exposures	4,075
	Option exposures	
5.	Simplified approach	–
6.	Delta-plus approach	2,050
7.	Other approach	–
8.	Securitization exposures	–
9.	**Total**	863,025

Compared with Jun 2021, the market risk RWA decreased by 9%. The change was due to the decline of HK$200 million in interest rate risk RWA, originating from lower general interest rate risk exposure arose from USD and NZD.

Operational risk

Basic Indicator Approach

The Bank has adopted the basic indicator (operational risk) ("BIA") approach to calculate the operational risk capital charge, the formula for operational risk capital charge is shown below:

$$K_{BIA} = [\sum(GI_{1...n} \times \alpha)] / n$$

Where:

K_{BIA} = capital charge for operational risk calculated under the BIA approach;

GI = gross income, where positive, of the last 3 years;

α = 15%; and

n = number of the last 3 years for which gross income is positive.

Interest rate risk in banking book

IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Banking Book Interest Rate Risk Management
Interest rate risk in the banking book ("IRRBB") means the risk to the Bank's financial condition resulting from adverse movements in interest rates that affect the Bank's banking book positions. The interest rate risk exposure in the banking book arises from its normal course of banking activities, such as lending, deposit taking, securities investment and debt issuance. The governing objective in interest rate risk management is to control potential significant loss as a result of interest rate changes within risk appetite.

The Bank is exposed to two major sources of IRRBB, namely, gap risk and basis risk.

Gap risk arises from the changes in interest rates on assets, liabilities or off-balance sheet items of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).

Basis risk arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. For example, loan assets are being tied to the prime rate, and deposit liabilities tied to the HIBOR. Basis risk primarily occurs in the Bank's Hong Kong dollar books.

The Bank has a robust banking book interest rate risk management framework in accordance with the "The Policy of Interest Rate Risk Management in Banking Book", which is approved by the Board. Risk Management Committee is responsible for overseeing and reviewing the Bank's risk management strategies including IRRBB. ALCO exercises its oversight of IRRBB. Financial Management Department assists ALCO to perform day-to-day monitoring on IRRBB. Global Markets Department is responsible for managing and hedging the IRRBB within the limits approved by the Board and related Committees. The Bank hedges the IRRBB, mainly, through interest rate swap and cross currency swap.

The Bank sets out interest rate risk limits, which are approved by the Board for implementation. The limits include, but not limited to, net interest income ("NII") in earnings perspective and economic value of equity ("EVE") in economic value perspective.

Sensitivity analysis in relation to the impact of changes in interest rate on earnings and economic value is assessed through a prescribed interest rate shock scenarios by the HKMA's Supervisory Policy Manual IR-1 on the Bank's actual repricing profile on assets, liabilities and off-balance sheet items on a routine basis. Apart from daily risk monitoring, the Bank has established a monthly stress testing to assess potential erosion of earnings and economic value that the Bank may incur from gap risk, basis risk and option risk. The outcome analyses are reported to Senior Management and related Committees on a regular basis.

Sensitivity Analysis on IRRBB
The Bank adopts sensitivity analysis to measure the impact of interest rate changes on earnings and economic value.

Sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. They are based on several assumptions, including but not limited to, run to maturity positions, etc.

The Bank adopts excluding spread components approach in calculating the coupon cash flow for IRRBB monitoring. For products with optionality, including retail fixed rate loans with early prepayment risk and retail term deposits with early redemption risk, the Bank developed customer behavioral models based on historical statistics. Besides, the Bank slots the non-maturity deposits into the appropriate time bands according to the earliest date on which their interest rates can be adjusted, i.e. next day. The Bank regularly reviews and updates the assumptions and parameters setting, and conducts independent model validation regularly.

Interest rate risk in banking book (Continued)

IRRBB1: Quantitative information on interest rate risk in banking book

	Equivalent in millions of HK$ (HKD)	ΔEVE		ΔNII	
	Period	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
1.	Parallel up	270	215	(822)	(884)
2.	Parallel down	–	–	822	884
3.	Steepener	–	16		
4.	Flattener	143	19		
5.	Short rate up	226	89		
6.	Short rate down	–	–		
7.	**Maximum**	270	215	822	884
	Period	31 Dec 2021		31 Dec 2020	
8.	**Tier 1 capital**	49,578		46,318	

	Equivalent in millions of HK$ (USD)	ΔEVE		ΔNII	
	Period	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
1.	Parallel up	–	–	58	(22)
2.	Parallel down	322	188	(58)	23
3.	Steepener	–	39		
4.	Flattener	33	–		
5.	Short rate up	–	–		
6.	Short rate down	57	133		
7.	**Maximum**	322	188	58	23
	Period	31 Dec 2021		31 Dec 2020	
8.	**Tier 1 capital**	49,578		46,318	

	Equivalent in millions of HK$ (CHN)	ΔEVE		ΔNII	
	Period	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
1.	Parallel up	470	795	587	369
2.	Parallel down	–	–	(587)	(368)
3.	Steepener	94	208		
4.	Flattener	–	–		
5.	Short rate up	152	223		
6.	Short rate down	–	–		
7.	**Maximum**	470	795	587	369
	Period	31 Dec 2021		31 Dec 2020	
8.	**Tier 1 capital**	49,578		46,318	

	Equivalent in millions of HK$ (AUD)	ΔEVE		ΔNII	
	Period	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
1.	Parallel up	–	31	(3)	29
2.	Parallel down	3	–	3	(29)
3.	Steepener	3	–		
4.	Flattener	–	41		
5.	Short rate up	–	49		
6.	Short rate down	3	–		
7.	**Maximum**	3	49	3	29
	Period	31 Dec 2021		31 Dec 2020	
8.	**Tier 1 capital**	49,578		46,318	

Remuneration

REMA: Remuneration policy

In accordance with the disclosure requirement of Banking (Disclosure) Rules and the Supervisory Policy Manual "CG-5 Guideline on a Sound Remuneration System" issued by the HKMA, the following disclosures are made:

Governance Structure of the Remuneration System
The Bank has established the Remuneration Committee. It is mainly responsible for making recommendations to the Board on the remuneration packages for the Directors, Chief Executive, Senior Management and Key Personnel; making recommendations to the Board on the remuneration policies and the implementation of such policies; and reviewing the policies regularly. The Remuneration Committee has held meetings during the year, discussed and formulated remuneration policies of the Bank.

"Senior Management" refers to the executives who are responsible for oversight of the Bank's firm-wide strategy or activities or those of the Bank'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 Bank. In 2021, the Bank has engaged an external consultant to undertake an independent review and sought advice of the Bank's remuneration policy and its implementation.

Remuneration Policy
The remuneration policy supports the Bank's overall approach to risk management so as to ensure it is not undermined and to encourage staff to support the Bank'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 Bank'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 Bank'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 Bank as well as to support the Bank's stability and sustainable development, the Bank has implemented a deferral mechanism on performance bonus with a vesting period of three years. Apart from considering the Bank's business performance, if a staff is found to have committed significant operational incidents, non-compliance or other serious incidents, the Bank may recalculate the variable remuneration and / or adjust the deferred variable remuneration of the staff.

The Bank 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 Bank's organization structure. The remuneration policy is subject to review periodically and when necessary.

Remuneration (Continued)

REM1: Remuneration awarded during financial year

	31 Dec 2021 (No. of Senior Management: 8 No. of Key Personnel: -) Note 1 – 3	
	Non-deferred HK$'000	Deferred HK$'000
Fixed Remuneration		
– Cash	12,566	–
– Shares and share-linked instruments	–	–
Variable Remuneration		
– Cash	5,090	413
– Shares and share-linked instruments	–	–

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 and Key Personnel were paid by Bank of Communications Co., Ltd. Hong Kong Branch and disclosed in its Disclosure of Remuneration Policy.
3. Included staff newly joined or left the Bank during the financial year.

REM2: Special payments

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 year 2021.

REM3: Deferred remuneration

	31 Dec 2021 HK$'000
Vested	
– Cash	161
– Shares and share-linked instruments	–
Unvested	
– Cash	552
– Shares and share-linked instruments	–
Total	713
Awarded	413
Paid out	161
Reduced through performance adjustments	–
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit / implicit adjustments	552
Total amount of reductions during the financial year due to:	
– Ex post explicit adjustment	–
– Ex post implicit adjustment	–

Additional balance sheet information

1. 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. Geographical segments, constituting 10% or more of the Bank's total international claims after taking into account any recognized risk transfer, are disclosed below.

	Bank	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Equivalent in millions of HK$					
As at 31 Dec 2021					
Developing Asia-Pacific	66,740	11,789	6,013	49,983	134,525
of which attributed to Mainland China	52,451	10,221	6,013	47,068	115,753
Developed countries	32,989	9,655	2,993	3,829	49,466
Offshore centres	4,177	7,266	20,376	60,116	91,935
of which attributed to Hong Kong	3,972	7,266	17,486	59,586	88,310

2. Impaired loans and advances to customers by geographical areas

	Gross amount of loans to customers HK$'000	Gross amount of trade bills HK$'000	Total amount of loans and advances HK$'000	Identified Impaired loans and advances HK$'000	% of total loans and advances	Stage 1 & 2 provision for ECL HK$'000	Stage 3 provision for ECL HK$'000
As at 31 Dec 2021							
Hong Kong	165,627,763	6,980	165,634,743	184,928	0.10	718,122	70,578
Mainland China	18,498,505	2,896,975	21,395,480	17,041	0.01	80,004	6,137
Other countries	2,267,257	624	2,267,881	–	–	10,182	–
	186,393,525	2,904,579	189,298,104	201,969	0.11	808,308	76,715

The gross amount of loans and advances to customers by 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. Geographical segment, constituting 10% or more of the Bank's total amount of loans and advances to customers after taking into account any recognized risk transfer, are disclosed above.

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross)

	31 Dec 2021 HK$'000	% of secured loans and advances
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
– Property development	30,305,871	25.01
– Property investment	17,238,234	66.88
– Financial concerns	10,166,576	12.88
– Stockbrokers	–	–
– Wholesale and retail trade	4,431,338	44.48
– Manufacturing	16,853,950	2.54
– Transport and transport equipment	8,538,948	64.81
– Recreational activities	40,391	79.05
– Information technology	1,413,271	0.99
– Others	23,890,210	36.29
Individuals		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchases Scheme	137,719	100.00
– Loans for the purchase of other residential properties	33,416,999	100.00
– Credit card advances	113,793	–
– Others	15,153,401	82.97
Sub-total	161,700,701	51.45
Trade finance	191,786	30.14
Loans and advances for use outside Hong Kong	24,501,038	2.32
Total	186,393,525	44.97

Additional balance sheet information (Continued)

3. The risk concentration analysis for loans and advances to customers by industry sectors (gross) (Continued)

Gross loans, impaired loans, overdue loans, provision for Expected Credit Loss ("ECL") in respect of industry sectors which constitute not less than 10% of total amount of loans and advances to customers are analysed as follows:

	Gross amount of loans to customers HK$'000	Impaired loans HK$'000	Overdue loans HK$'000	Stage 1 & 2 provision for ECL HK$'000	Stage 3 provision for ECL HK$'000	New impairment allowances HK$'000	Impaired loans written off during the year HK$'000
As at 31 Dec 2021							
Loans and advances for use in Hong Kong							
– Industrial, commercial and financial	112,878,789	95,188	80,890	488,234	32,162	263,851	175
– Individuals	48,821,912	72,087	57,049	213,551	22,863	91,187	7,160
Trade finance	191,786	27,609	27,609	752	14,612	12,734	–
Loans and advances for use outside Hong Kong	24,501,038	105	105	104,363	98	43,360	–
	186,393,525	194,989	165,653	806,900	69,735	411,132	7,335

4. Gross amount of overdue loans and advances to customers

	31 Dec 2021 HK$'000	% of total loans and advances to customers
Gross loans and advances to customers which have been overdue for periods of:		
More than 3 months but not more than 6 months	69,314	0.04
More than 6 months but not more than 1 year	43,945	0.02
More than 1 year	52,394	0.03
	165,653	0.09
Gross trade bills to customers which 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	6,980	–
	6,980	–
Total gross amount of overdue loans and advances to customers	172,633	0.09

Additional balance sheet information (Continued)

5. Overdue loans and advances to customers by geographical areas

	Overdue loans and advances to customers HK$'000	Stage 3 provision for ECL HK$'000
As at 31 Dec 2021		
Hong Kong	155,592	66,283
Mainland China	17,041	6,137
	172,633	72,420
Fair value of collateral	59,738	

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

6. Overdue and rescheduled loans and advances to customers

	31 Dec 2021 HK$'000
Total rescheduled loans and advances to customers	2,987
Excluding: rescheduled loans and advances to customers overdue above 3 months	824
Net amounts of rescheduled loans and advances to customers	2,163
Percentage of net amounts of rescheduled loans and advances to customers in total loans (%)	–

7. Overdue assets

There were no other overdue assets as at 31 Dec 2021.

8. Repossessed assets

There were no repossessed assets held as at 31 Dec 2021.

Additional balance sheet information (Continued)

9. 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")	83,871,333	640,784	84,512,117
2. Local governments, local government-owned entities and their subsidiaries and JVs	16,755,661	37,500	16,793,161
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	30,349,652	1,425,459	31,775,111
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local governments not reported in item 2 above	500,107	–	500,107
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,619,218	–	1,619,218
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	133,095,971	2,103,743	135,199,714
Total assets after provisions	457,499,166		
On-balance sheet exposures as percentage of total assets	29.09%		

Additional balance sheet information (Continued)

10. Currency concentration

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

Equivalent in millions of HK$	USD	Total
As at 31 Dec 2021		
Spot assets	227,459	227,459
Spot liabilities	(167,326)	(167,326)
Forward purchases	109,051	109,051
Forward sales	(173,663)	(173,663)
Net options position*	(3)	(3)
Net long (short) position	(4,482)	(4,482)
Net structural position	–	–

* 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.

11. Off-balance sheet exposures (other than derivative transactions)

The off-balance sheet exposures are based on nominal contract amounts and risk-weighted amounts of contingent liabilities and commitments defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA's Return of Capital Adequacy Ratio.

	31 Dec 2021 HK$'000
Contract amounts	
Direct credit substitutes	73,635
Trade-related contingencies	330,479
Commitments that are unconditionally cancellable without prior notice	14,782,853
Commitments which have an original maturity of not more than 1 year	3,219,596
Commitments which have an original maturity of more than 1 year	8,669,204
Total	27,075,767
Risk-weighted amount	5,118,252