



BANK OF COMMUNICATIONS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

REGULATORY DISCLOSURE STATEMENT

31 March 2020 (Unaudited)



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").

Key prudential ratios and overview of RWA

KM1: Key prudential ratios

		31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Regulatory capital (amount)						
1.	Common Equity Tier 1 (CET1)	18,494,034	20,164,559	19,616,775	19,221,644	18,715,837
2.	Tier 1	22,365,484	20,164,559	19,616,775	19,221,644	18,715,837
3.	Total capital	25,349,197	23,370,970	22,770,163	22,075,153	21,745,278
RWA (amount)						
4.	Total RWA	141,848,526	128,663,368	125,062,409	117,914,582	113,517,208
Risk-based regulatory capital ratios (as a percentage of RWA)						
5.	CET1 ratio (%)	13.04%	15.67%	15.69%	16.30%	16.49%
6.	Tier 1 ratio (%)	15.77%	15.67%	15.69%	16.30%	16.49%
7.	Total capital ratio (%)	17.87%	18.16%	18.21%	18.72%	19.16%
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 (%)	0.761%	1.540%	1.923%	2.031%	2.009%
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 (%)	3.261%	4.040%	4.423%	4.531%	4.509%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	8.54%	9.67%	9.69%	10.30%	10.49%
Basel III leverage ratio						
13.	Total leverage ratio (LR) exposure measure	246,216,175	231,670,906	229,157,390	211,580,580	209,868,314
14.	LR (%)	9.08%	8.70%	8.56%	9.08%	8.92%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only:						
15.	Total high quality liquid assets (HQLA)	36,942,421	30,436,800	25,665,666	23,945,265	22,888,411
16.	Total net cash outflows	20,415,708	18,666,550	15,729,791	14,991,795	15,391,988
17.	LCR (%)	182.82%	163.75%	165.46%	162.55%	149.35%
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	182,142,133	166,478,760	164,366,345	161,006,288	163,097,307
19.	Total required stable funding	157,532,006	148,449,379	143,817,700	133,437,609	129,330,267
20.	NSFR (%)	115.62%	112.15%	114.29%	120.66%	126.11%
Applicable to category 2A institution only:						
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Chan Ha Fong, Nancy, Chief Executive

26 May 2020

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Mar 2020	As at 31 Dec 2019	As at 31 Mar 2020
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	130,752,461	119,587,829	10,460,197
2.	Of which STC approach	130,752,461	119,587,829	10,460,197
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	1,961,265	1,366,250	156,901
7.	Of which SA-CCR*	Not applicable	Not applicable	–
7a.	Of which CEM	1,702,862	1,223,447	136,229
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	258,403	142,803	20,672
10.	CVA risk	1,045,425	783,138	83,634
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	1,194,625	723,638	95,570
21.	Of which STM approach	1,194,625	723,638	95,570
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	6,894,750	6,202,513	551,580
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	141,848,526	128,663,368	11,347,882

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 RWA (Continued)

OV1: Overview of RWA (Continued)

During the quarter ended 31 Mar 2020, total RWAs increased by HK\$13,185 million. Credit Risk RWA for non-securitization exposures was the key contributor which increased by HK\$11,165 million mainly driven by loan and bond growth.

Leverage ratio

LR2: Leverage ratio

		31 Mar 2020	31 Dec 2019
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	223,852,623	216,106,073
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,213,430)	(909,489)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	222,639,193	215,196,584
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)	759,980	872,863
5.	Add-on amounts for PFE associated with all derivative contracts	2,183,943	2,256,538
6.	Gross-up for derivatives collateral provided 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	(234,835)	(218,344)
8.	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9.	Adjusted effective notional amount of written credit derivative contracts	–	–
10.	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	–	–
11.	Total exposures arising from derivative contracts	2,709,088	2,911,057
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	17,596,821	10,473,176
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,055,383	633,301
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	18,652,204	11,106,477
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	11,670,392	11,790,061
18.	Less: Adjustments for conversion to credit equivalent amounts	(9,116,762)	(9,138,512)
19.	Off-balance sheet items	2,553,630	2,651,549
Capital and total exposures			
20.	Tier 1 capital	22,365,484	20,164,559
20a.	Total exposures before adjustments for specific and collective provisions	246,554,115	231,865,667
20b.	Adjustments for specific and collective provisions	(337,940)	(194,761)
21.	Total exposures after adjustments for specific and collective provisions	246,216,175	231,670,906
Leverage ratio			
22.	Leverage ratio	9.08%	8.70%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

31 Mar 2020

Average liquidity coverage ratio (“LCR”)
– First quarter

182.82%

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

The Bank’s average LCR for the period is 182.82%.

In the first quarter of year 2020, the Bank’s LCR increased as a result of increase in HQLA.

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 are 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 is not material. The Bank’s major liquidity profile is captured in the LCR calculation.

The Bank’s HKD LCR is 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 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)

LIQ1: Liquidity Coverage Ratio – for category 1 institution (Continued)

2020 First 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 Mar 2020: (74)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		36,942,421
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	155,514,573	11,704,953
3.	<i>Stable retail deposits and stable small business funding</i>	6,000,934	300,047
4.	<i>Less stable retail deposits and less stable small business funding</i>	78,584,487	7,858,449
4a.	<i>Retail term deposits and small business term funding</i>	70,929,152	3,546,457
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	25,911,709	15,119,285
6.	<i>Operational deposits</i>	235,595	56,826
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	25,676,114	15,062,459
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	–	–
9.	Secured funding transactions (including securities swap transactions)		3,510,429
10.	Additional requirements, of which:	22,822,215	3,563,405
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	12,761,825	3,037,323
12.	<i>Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions</i>	–	–
13.	<i>Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)</i>	10,060,390	526,082
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,470,798	2,470,798
15.	Other contingent funding obligations (whether contractual or non-contractual)	1,307,584	6,804
16.	Total Cash Outflows		36,375,674
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	16,658,566	9,826,013
19.	Other cash inflows	6,133,953	6,133,953
20.	Total Cash Inflows	22,792,519	15,959,966
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		36,942,421
22.	Total Net Cash Outflows		20,415,708
23.	LCR (%)		182.82%