

REGULATORY DISCLOSURE STATEMENT

31 March 2021 (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 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	43,657,384	42,446,962	41,332,972	20,601,583	18,494,034
2.	Tier 1	47,528,834	46,318,412	45,204,422	24,473,033	22,365,484
3.	Total capital	51,015,390	49,635,017	48,397,377	27,148,653	25,349,197
	RWA (amount)					
4.	Total RWA	247,309,713	227,729,125	207,083,221	159,385,749	141,848,526
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	17.65%	18.64%	19.96%	12.93%	13.04%
6.	Tier 1 ratio (%)	19.22%	20.34%	21.83%	15.35%	15.77%
7.	Total capital ratio (%)	20.63%	21.80%	23.37%	17.03%	17.87%
	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 (%)	0.723%	0.739%	0.734%	0.713%	0.761%
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 (%)	3.223%	3.239%	3.234%	3.213%	3.261%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	12.63%	13.80%	15.37%	8.43%	8.54%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	399,649,484	381,168,190	359,882,695	292,472,895	246,216,175
14.	LR (%)	11.89%	12.15%	12.56%	8.37%	9.08%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	62,933,689	64,234,199	53,105,035	33,719,201	36,942,421
16.	Total net cash outflows	41,499,962	39,793,336	30,656,628	19,735,372	20,415,708
17.	LCR (%)	152.82%	163.10%	174.48%	171.75%	182.82%
	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	281,551,164	250,309,664	248,624,106	201,511,322	182,142,133
19.	Total required stable funding	235,474,970	221,302,699	205,880,244	171,754,626	157,532,006
20.	NSFR (%)	119.57%	113.11%	120.76%	117.33%	115.62%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Wu Ye, Chief Executive
26 May 2021

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Mar 2021	As at 31 Dec 2020	As at 31 Mar 2021
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	233,511,140	216,428,078	18,680,891
2.	Of which STC approach	233,511,140	216,428,078	18,680,891
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	3,370,960	2,464,921	269,677
7.	Of which SA-CCR*	Not applicable	Not applicable	–
7a.	Of which CEM	2,794,735	1,748,166	223,579
8.	Of which IMM (CCR) approach	–	–	–
9.	Of which others	576,225	716,755	46,098
10.	CVA risk	2,333,700	1,481,400	186,696
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	1,048,925	868,863	83,914
21.	Of which STM approach	1,048,925	868,863	83,914
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	7,044,988	6,485,863	563,599
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	247,309,713	227,729,125	19,784,777

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 first quarter in 2021, the total RWA increased by HK\$19,581 million. The key contributor was the credit risk RWA for non-securitization exposures, mainly driven by the growth in bonds, loans and advances.

Leverage ratio

LR2: Leverage ratio

		31 Mar 2021	31 Dec 2020
		HK\$'000	HK\$'000
On-balance sheet exposures			
1.	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	366,767,022	345,720,854
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,009,921)	(774,196)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	365,757,101	344,946,658
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)	2,091,818	787,131
5.	Add-on amounts for PFE associated with all derivative contracts	3,790,469	3,328,947
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	(49,053)	(268,390)
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	5,833,234	3,847,688
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	22,905,968	26,938,554
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,790,670	2,218,453
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	24,696,638	29,157,007
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	16,521,942	15,476,090
18.	Less: Adjustments for conversion to credit equivalent amounts	(12,754,329)	(11,795,609)
19.	Off-balance sheet items	3,767,613	3,680,481
Capital and total exposures			
20.	Tier 1 capital	47,528,834	46,318,412
20a.	Total exposures before adjustments for specific and collective provisions	400,054,586	381,631,834
20b.	Adjustments for specific and collective provisions	(405,102)	(463,644)
21.	Total exposures after adjustments for specific and collective provisions	399,649,484	381,168,190
Leverage ratio			
22.	Leverage ratio	11.89%	12.15%

The leverage ratio was 11.89% at 31 Mar 2021, down from 12.15% at 31 Dec 2020. It was mainly due to an increase in total exposures.

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

31 Mar 2021

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

152.82%

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

The Bank’s average LCR for the period was 152.82%.

In the first quarter of year 2021, the Bank’s average LCR has decreased compared with fourth quarter of year 2020, as a result of decrease in short-term lending and corresponding funding arrangement, decrease in HQLA and increase in secured funding transactions matured within 30 days.

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 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)

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

2021 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 2021: (73)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		62,933,689
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	203,386,640	15,294,811
3.	<i>Stable retail deposits and stable small business funding</i>	5,678,683	283,934
4.	<i>Less stable retail deposits and less stable small business funding</i>	102,509,580	10,250,958
4a.	<i>Retail term deposits and small business term funding</i>	95,198,377	4,759,919
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	55,165,236	30,375,775
6.	<i>Operational deposits</i>	2,273,368	547,695
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	52,891,868	29,828,080
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)		7,219,878
10.	Additional requirements, of which:	39,522,592	7,639,133
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	28,460,716	6,969,152
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>	11,061,876	669,981
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	1,797,071	1,797,071
15.	Other contingent funding obligations (whether contractual or non-contractual)	4,160,923	12,185
16.	Total Cash Outflows		62,338,853
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	25,707,455	12,915,663
19.	Other cash inflows	7,923,228	7,923,228
20.	Total Cash Inflows	33,630,683	20,838,891
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		62,933,689
22.	Total Net Cash Outflows		41,499,962
23.	LCR (%)		152.82%