

REGULATORY DISCLOSURE STATEMENT

31 March 2022 (Unaudited)



CREATE SHARED VALUE
創造共同價值

Bank of Communications (Hong Kong) Limited

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BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)
REGULATORY DISCLOSURE STATEMENT (UNAUDITED)

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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 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	44,865,307	45,706,323	44,969,589	44,151,274	43,657,384
2.	Tier 1	48,736,757	49,577,773	48,841,039	48,022,724	47,528,834
3.	Total capital	60,061,153	61,004,198	60,168,160	51,430,688	51,015,390
	RWA (amount)					
4.	Total RWA	310,208,007	293,766,767	289,763,660	278,297,019	247,309,713
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	14.46%	15.56%	15.52%	15.86%	17.65%
6.	Tier 1 ratio (%)	15.71%	16.88%	16.86%	17.26%	19.22%
7.	Total capital ratio (%)	19.36%	20.77%	20.76%	18.48%	20.63%
	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 (%)	0.743%	0.752%	0.739%	0.742%	0.723%
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 (%)	3.243%	3.252%	3.239%	3.242%	3.223%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	9.71%	10.88%	10.86%	10.48%	12.63%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	490,261,690	475,334,197	453,625,628	442,604,507	399,649,484
14.	LR (%)	9.94%	10.43%	10.77%	10.85%	11.89%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	78,846,061	75,613,050	68,391,435	66,937,141	62,933,689
16.	Total net cash outflows	52,908,771	53,874,877	43,829,928	45,405,802	41,499,962
17.	LCR (%)	150.46%	140.86%	158.36%	150.20%	152.82%
	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	331,367,086	318,104,250	323,694,055	315,518,626	281,551,164
19.	Total required stable funding	274,693,741	265,239,051	263,854,421	257,146,439	235,474,970
20.	NSFR (%)	120.63%	119.93%	122.68%	122.70%	119.57%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 31 Mar 2022	As at 31 Dec 2021	As at 31 Mar 2022
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	279,322,166	271,373,388	22,345,773
2.	Of which STC approach	279,322,166	271,373,388	22,345,773
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	12,675,353	9,162,528	1,014,028
7.	Of which SA-CCR approach	9,483,247	5,601,980	758,660
7a.	Of which CEM	–	–	–
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	3,192,106	3,560,548	255,368
10.	CVA risk	8,237,275	4,264,413	658,982
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	1,569,963	863,025	125,597
21.	Of which STM approach	1,569,963	863,025	125,597
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	8,403,250	8,103,413	672,260
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	310,208,007	293,766,767	24,816,640

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)

Compared to last quarter, the total RWA in 2022 Q1 increased by HK\$16,441 million. Credit risk RWA for non-securitization exposures are the main driver for the increase.

Leverage ratio

LR2: Leverage ratio

		31 Mar 2022	31 Dec 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)	427,162,159	421,793,282
2.	Less: Asset amounts deducted in determining Tier 1 capital	(1,047,592)	(969,925)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	426,114,567	420,823,357
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)	10,302,838	3,912,467
5.	Add-on amounts for PFE associated with all derivative contracts	10,218,116	8,663,171
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	(217,652)	(287,308)
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	20,303,302	12,288,330
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	36,122,054	34,045,497
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	2,040,364	2,352,730
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	38,162,418	36,398,227
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	25,019,161	27,075,767
18.	Less: Adjustments for conversion to credit equivalent amounts	(18,519,926)	(20,479,230)
19.	Off-balance sheet items	6,499,235	6,596,537
Capital and total exposures			
20.	Tier 1 capital	48,736,757	49,577,773
20a.	Total exposures before adjustments for specific and collective provisions	491,079,522	476,106,451
20b.	Adjustments for specific and collective provisions	(817,832)	(772,254)
21.	Total exposures after adjustments for specific and collective provisions	490,261,690	475,334,197
Leverage ratio			
22.	Leverage ratio	9.94%	10.43%

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

31 Mar 2022

Average liquidity coverage ratio ("LCR")

– First quarter 150.46%

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

The Bank's average LCR for the first quarter of 2022 was 150.46%.

In the first quarter of year 2022, the Bank's average LCR increased compared with the fourth quarter of year 2021, as a result of increase in total high quality liquid assets.

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 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)

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

2022 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 2022: (73)		HK\$'000	
Basis of disclosure: Hong Kong office		Unweighted value (average)	Weighted value (average)
A. HQLA			
1.	Total HQLA		101,732,044
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	239,430,629	18,212,563
3.	<i>Stable retail deposits and stable small business funding</i>	7,065,911	353,296
4.	<i>Less stable retail deposits and less stable small business funding</i>	124,820,634	12,482,063
4a.	<i>Retail term deposits and small business term funding</i>	107,544,084	5,377,204
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	80,116,936	40,193,606
6.	<i>Operational deposits</i>	3,180,747	763,527
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	76,559,139	39,053,029
8.	<i>Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period</i>	377,050	377,050
9.	Secured funding transactions (including securities swap transactions)		3,919,050
10.	Additional requirements, of which:	45,572,084	8,683,841
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	29,454,842	7,480,099
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>	16,117,242	1,203,742
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	3,378,377	3,378,377
15.	Other contingent funding obligations (whether contractual or non-contractual)	9,047,982	23,490
16.	Total Cash Outflows		74,410,927
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	37,518,107	14,403,197
19.	Other cash inflows	7,098,959	7,098,959
20.	Total Cash Inflows	44,617,066	21,502,156
D. Liquidity Coverage Ratio			
21.	Total HQLA		78,846,061
22.	Total Net Cash Outflows		52,908,771
23.	LCR (%)		150.46%