



Contents

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

		30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Regulatory capital (amount)					
1.	Common Equity Tier 1 (CET1)	41,332,972	20,601,583	18,494,034	20,164,559	19,616,775
2.	Tier 1	45,204,422	24,473,033	22,365,484	20,164,559	19,616,775
3.	Total capital	48,397,377	27,148,653	25,349,197	23,370,970	22,770,163
	RWA (amount)					
4.	Total RWA	207,083,221	159,385,749	141,848,526	128,663,368	125,062,409
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5.	CET1 ratio (%)	19.96%	12.93%	13.04%	15.67%	15.69%
6.	Tier 1 ratio (%)	21.83%	15.35%	15.77%	15.67%	15.69%
7.	Total capital ratio (%)	23.37%	17.03%	17.87%	18.16%	18.21%
	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 (%)	0.734%	0.713%	0.761%	1.540%	1.923%
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 (%)	3.234%	3.213%	3.261%	4.040%	4.423%
12.	CET1 available after meeting the AI's minimum capital requirements (%)	15.37%	8.43%	8.54%	9.67%	9.69%
	Basel III leverage ratio					
13.	Total leverage ratio (LR) exposure measure	359,882,695	292,472,895	246,216,175	231,670,906	229,157,390
14.	LR (%)	12.56%	8.37%	9.08%	8.70%	8.56%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15.	Total high quality liquid assets (HQLA)	53,105,035	33,719,201	36,942,421	30,436,800	25,665,666
16.	Total net cash outflows	30,656,628	19,735,372	20,415,708	18,666,550	15,729,791
17.	LCR (%)	174.48%	171.75%	182.82%	163.75%	165.46%
	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	248,624,106	201,511,322	182,142,133	166,478,760	164,366,345
19.	Total required stable funding	205,880,244	171,754,626	157,532,006	148,449,379	143,817,700
20.	NSFR (%)	120.76%	117.33%	115.62%	112.15%	114.29%
	Applicable to category 2A institution only:					
20a.	CFR (%)	N/A	N/A	N/A	N/A	N/A

The total capital ratio was 23.37% at 30 Sep 2020, up from 17.03% at 30 Jun 2020. It was mainly due to an increase in capital.

Chan Ha Fong, Nancy, Chief Executive
25 November 2020

Key prudential ratios and overview of RWA (Continued)

OV1: Overview of RWA

		RWA		Minimum capital requirements
		As at 30 Sep 2020	As at 30 Jun 2020	As at 30 Sep 2020
		HK\$'000	HK\$'000	HK\$'000
1.	Credit risk for non-securitization exposures	196,471,244	148,331,776	15,717,700
2.	Of which STC approach	196,471,244	148,331,776	15,717,700
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	2,146,951	2,018,097	171,756
7.	Of which SA-CCR*	Not applicable	Not applicable	–
7a.	Of which CEM	1,634,528	1,230,913	130,762
8.	Of which IMM(CCR) approach	–	–	–
9.	Of which others	512,423	787,184	40,994
10.	CVA risk	1,295,400	970,375	103,632
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	1,016,438	739,538	81,315
21.	Of which STM approach	1,016,438	739,538	81,315
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	6,153,188	7,325,963	492,255
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	207,083,221	159,385,749	16,566,658

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 30 Sep 2020, total RWAs increased by HK\$47,697 million. Credit Risk RWA for non-securitization exposures was the key contributor which increased by HK\$48,139 million mainly driven by loans and bonds growth.

Leverage ratio

LR2: Leverage ratio

		30 Sep 2020	30 Jun 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)	336,086,302	262,838,546
2.	Less: Asset amounts deducted in determining Tier 1 capital	(843,455)	(604,745)
3.	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	335,242,847	262,233,801
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)	422,916	382,625
5.	Add-on amounts for PFE associated with all derivative contracts	3,709,955	2,542,814
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	(78,042)	(773,328)
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	4,054,829	2,152,111
Exposures arising from SFTs			
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	16,271,788	22,924,937
13.	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14.	CCR exposure for SFT assets	1,645,460	2,617,294
15.	Agent transaction exposures	–	–
16.	Total exposures arising from SFTs	17,917,248	25,542,231
Other off-balance sheet exposures			
17.	Off-balance sheet exposure at gross notional amount	11,424,726	11,797,658
18.	Less: Adjustments for conversion to credit equivalent amounts	(8,488,464)	(8,952,387)
19.	Off-balance sheet items	2,936,262	2,845,271
Capital and total exposures			
20.	Tier 1 capital	45,204,422	24,473,033
20a.	Total exposures before adjustments for specific and collective provisions	360,151,186	292,773,414
20b.	Adjustments for specific and collective provisions	(268,491)	(300,519)
21.	Total exposures after adjustments for specific and collective provisions	359,882,695	292,472,895
Leverage ratio			
22.	Leverage ratio	12.56%	8.37%

The leverage ratio was 12.56% at 30 Sep 2020, up from 8.37% at 30 Jun 2020. It was mainly due to an increase in Tier 1 capital.

Liquidity

LIQ1: Liquidity Coverage Ratio – for category 1 institution

30 Sep 2020

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

174.48%

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 first three quarters of 2020 was 176.38%.

In the third quarter of year 2020, the Bank’s average LCR increased as a result of increase in HQLA. During the period, unsecured wholesale funding lead to an increase of cash outflow which offset some of the LCR increment.

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 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 Third 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 30 Sep 2020: (78)		HK\$'000	
		Unweighted value (average)	Weighted value (average)
Basis of disclosure: Hong Kong office			
A. HQLA			
1.	Total HQLA		53,105,035
B. Cash Outflows			
2.	Retail deposits and small business funding, of which:	185,788,739	13,846,099
3.	<i>Stable retail deposits and stable small business funding</i>	5,634,970	281,748
4.	<i>Less stable retail deposits and less stable small business funding</i>	91,133,252	9,113,325
4a.	<i>Retail term deposits and small business term funding</i>	89,020,517	4,451,026
5.	Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which:	35,546,700	19,194,578
6.	<i>Operational deposits</i>	1,509,233	364,567
7.	<i>Unsecured wholesale funding (other than small business funding) not covered in row 6</i>	34,037,467	18,830,011
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)		5,794,699
10.	Additional requirements, of which:	37,077,457	7,266,096
11.	<i>Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements</i>	27,392,729	6,755,012
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>	9,684,728	511,084
14.	Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows	2,769,860	2,769,860
15.	Other contingent funding obligations (whether contractual or non-contractual)	1,640,996	8,294
16.	Total Cash Outflows		48,879,626
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	19,856,380	12,336,494
19.	Other cash inflows	5,886,504	5,886,504
20.	Total Cash Inflows	25,742,884	18,222,998
D. Liquidity Coverage Ratio			Adjusted value
21.	Total HQLA		53,105,035
22.	Total Net Cash Outflows		30,656,628
23.	LCR (%)		174.48%